92-2254

A	AMELCO CORP	10Q	03-31-92
B	DANNINGER MEDICAL TECHNOLOGY INC	10Q	03-31-92
C	DE NOVO CORP	10Q	03-31-92
D	DEPOSIT GUARANTY CORP	10Q	03-31-92
E	DIANON SYSTEMS INC	10Q	03-31-92
F	DOCUCON INC	10Q	03-31-92
G	ELCO INDUSTRIES INC	10Q	03-31-92
H	EMBRACE SYSTEMS CORP	10Q	03-31-92
I	ENZON INC	10Q	03-31-92
J	FISCHER IMAGING CORP	10Q	04-04-92
K	FONAR CORP	10Q	03-31-92
L	HOME-STAKE OIL & GAS CO	10Q	03-31-92
M	INNOVA CORP	10Q	06-30-91
N	INNOVA CORP	10Q	09-30-91
O	INNOVA CORP	10Q	12-31-91
P	LAW COMPANIES GROUP INC	10Q	03-31-92
Q	LEVERAGE GROUP INC	10Q	09-30-91
R	NOBEL INSURANCE LTD	10Q	03-31-92
S	NU-WEST INDUSTRIES INC	10Q	03-31-92
T	SENECA FOODS CORP	10Q	01-31-92
U	STAUN BANCORP INC	10Q	03-31-92
V	WESBANCO INC	10Q	03-31-92

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____to____

Commission file number 0-6079

BEST COPY AVAILABLE

AMELCO CORPORATION
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

99-0068616
(I.R.S. Employer Identification No.)

19208 South Vermont Avenue
Gardena, California
(Address of principal executive offices)

90249
(Zip Code)

PROCESSED BY
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MAY 19 1992

(310) 327-3070
(Registrant's telephone number, including area code)

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Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at March 31, 1992
Stated Value $2.50 per share	1,443,542

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AMELCO CORPORATION

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Amelco Corporation and Subsidiaries
Consolidated Balance Sheets

Assets	(Unaudited) March 31, 1992	September 30, 1991
Cash (note 4)	$ 1,060,000	$ 2,114,000
Receivables, net (note 2)	14,328,000	20,323,000
Inventories	89,000	100,000
Investment in and advances to joint ventures	30,000	347,000
Costs and recognized profits in excess of billings on uncompleted contracts	3,919,000	3,026,000
Prepaid expenses	394,000	592,000
Total Current Assets	19,820,000	26,502,000
Notes receivable	3,450,000	3,464,000
Property, plant and equipment, net	1,741,000	1,614,000
Other assets	74,000	51,000
Total Assets	$ 25,085,000	$ 31,631,000
Liabilities and Stockholders' Equity		
Short term borrowings	$ 755,000	$ -
Current portion of long term debt	281,000	500,000
Accounts payable	4,983,000	9,791,000
Accrued expenses	2,399,000	3,338,000
Federal and state income taxes	355,000	530,000
Billings in excess of costs and recognized profits on uncompleted contracts	3,175,000	4,388,000
Other current liabilities	498,000	668,000
Total Current Liabilities	12,446,000	19,215,000
Long term debt, excluding current portion	25,000	116,000
Deferred federal and state income taxes	23,000	23,000
Stockholders' equity:		
Common stock, stated value $2.50 per share, authorized 3,000,000 shares,issued 2,214,008	5,535,000	5,535,000
Additional paid-in capital	7,427,000	7,427,000
Retained earnings	2,640,000	2,326,000
	15,602,000	15,288,000
Less treasury shares	(3,011,000)	(3,011,000)
Total stockholders' equity	12,591,000	12,277,000
Total Liabilities and Stockholders' Equity	$ 25,085,000	$ 31,631,000

Amelco Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
Revenues	$ 47,602,000	$ 42,733,000
Costs and operating expenses	42,561,000	37,641,000
Gross profit	5,041,000	5,092,000
General and administrative expenses	4,254,000	4,466,000
Operating income	787,000	626,000
Other income (expense):		
Interest expense	(75,000)	(76,000)
Other, net	139,000	111,000
Total other income (expense)	64,000	35,000
Earnings before income taxes	851,000	661,000
Income tax expense	320,000	249,000
Net earnings	$ 531,000	$ 412,000

Earnings per share:

Net earnings per common share	$ 0.37	$ 0.29
Weighted average number of common shares outstanding during the period	1,444,000	1,444,000

Amelco Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues	$ 23,010,000	$ 21,500,000
Costs and operating expenses	20,603,000	18,904,000
Gross profit	2,407,000	2,596,000
General and administrative expenses	2,179,000	2,275,000
Operating income	228,000	321,000
Other income (expense):		
Interest expense	(35,000)	(40,000)
Other, net	72,000	56,000
Total other income (expense)	37,000	16,000
Earnings before income taxes	265,000	337,000
Income tax expense	94,000	126,000
Net earnings	$ 171,000	$ 211,000

Earnings per share:

	1992	1991
Net earnings per common share	$ 0.12	$ 0.15
Weighted average number of common shares outstanding during the period	1,444,000	1,444,000

Amelco Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net earnings	$ 531,000	$ 412,000
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation and amortization	196,000	195,000
Provision for recovery of doubtful accounts	15,000	(10,000)
(Gain) loss on sale of assets	(3,000)	(1,000)
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts receivable	5,980,000	4,248,000
Investment in joint venture	317,000	(291,000)
Inventories	11,000	16,000
Costs and recognized profits in excess of billings on uncompleted contracts	(893,000)	1,541,000
Prepaid expenses	198,000	(92,000)
Other assets	(23,000)	(20,000)
Accounts payable and accrued expenses	(5,748,000)	(4,260,000)
Billings in excess of costs and recognized profits on uncompleted contracts	(1,213,000)	333,000
Income taxes payable	(175,000)	3,000
Other liabilities	(170,000)	165,000
Total adjustments	(1,508,000)	1,827,000
Net cash provided (used) by operating activities	$ (977,000)	$ 2,239,000
Cash flows from investing activities:		
Decrease(increase) in note receivable	14,000	85,000
Proceeds from sale of assets	16,000	46,000
Capital expenditures	(336,000)	(66,000)
Net cash provided (used) by investing activities	$ (306,000)	65,000

(continued)

Amelco Corporation and Subsidiaries
Consolidated Statements of Cash Flows, continued
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
Cash flows from financing activities:		
Net borrowings(repayments) under line of credit	755,000	(830,000)
Borrowings under long term debt	-	58,000
Repayments of long term debt	(309,000)	(204,000)
Dividends paid	(217,000)	(361,000)
Net cash provided (used) by financing activities	$ 229,000	(1,337,000)
Net increase (decrease) in cash and cash equivalents	(1,054,000)	967,000
Cash and cash equivalents at beginning of year	2,114,000	819,000
Cash and cash equivalents at end of year	$ 1,060,000	1,786,000

Amelco Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments necessary to present fairly the Company's financial position as of March 31, 1992 and September 30, 1991, the results of its operations for the six months ended March 31, 1992 and 1991 and the three months ended March 31, 1992 and 1991 and changes in financial position for the six months ended March 31, 1992 and 1991. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 1991.

2. Retentions: Contract retentions which are collectible upon the owner's approval of contract performance on construction contracts are included under receivables and amount to $4,384,000 and $3,846,000 at March 31, 1992 and September 30, 1991, respectively.

3. Backlog: The backlog of uncompleted contracting work was approximately $45,475,000 on contracts in force as of March 31, 1992, compared with $51,893,000 as of March 31, 1991, inclusive of the Company's proportionate share of contract backlog from joint ventures amounting to $3,491,000 at March 31, 1991. There was no joint venture contract backlog at March 31, 1992.

4. Cash: Cash balances at March 31, 1992 include approximately $709,000 in restricted time deposits maintained in lieu of retention which will be released upon completion of the related construction projects. Interest income on these deposits are credited to the Company.

5. Dividends: On February 14, 1992, a $.15 per share dividend was declared payable to stockholders of record as of March 1, 1992. The dividend, which amounted to $217,000, was paid on March 16, 1992.

Amelco Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

CAPITAL RESOURCES AND LIQUIDITY

Consolidated working capital increased to $7,374,000 at March 31, 1992 as compared to $7,287,000 at September 30, 1991.

The working capital ratio increased from 1.38 at September 30, 1991 to 1.59 at March 31, 1992 resulting primarily from reductions in receivables and accounts payable balances. The change in receivables, which decreased from $20,323,000 at September 30, 1991 to $14,328,000 at March 31, 1992 is attributable to a combination of factors including primarily a higher amount of customer billings issued in September, 1991 as compared to March, 1992 and improvement in collection efforts. Cash generated by the decrease in receivables and from contracting operations in the current year, together with available cash balances at September 30, 1991 were applied to reduce accounts payable and accrued expenses.

The Company and its subsidiaries continue to have available secured working capital lines of credit with two banks aggregating $5,632,000. Borrowings under these lines of credit aggregated $755,000 at March 31, 1992. It is believed that these lines of credit are adequate to provide the necessary and foreseeable working capital financing which may be required in 1992.

Although recessionary conditions in the national economy and California have not had a material impact on the Company's current operations, the Company has experienced increased competition in the industrial and commercial markets in which it does business. Construction backlog at March 31, 1992 approximated $45,475,000, as compared to $51,893,000 as of March 31, 1991. Although a prolonged economic slump in the national and state economies will have a dampening effect on the Company's volume and its profit margins, it is believed that the maintenance or improvement in the Company's liquidity and profitability will be largely dependent upon management's ability to bid and perform its construction obligations effectively, receive payments in a timely fashion and maintain adminstrative staffing levels which are responsive to changes in volume levels.

RESULTS OF OPERATIONS

Consolidated revenues increased by 7.0% and 11.4% in the three and six months periods ended March 31, 1992 as compared to the same period in the prior year. The change reflects an increase in revenue from the Utah electrical operations approximating $3,152,000 and the California electrical operations approximating $2,665,000 which were offset by a decrease of $961,000 in contracting volume in Hawaii. Contracting revenue in any given period is subject to fluctuations depending upon the timing of new work acquisition and scheduling requirements of the customer and is not necessarily indicative of future trends.

Amelco Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations
continued

Gross profits decreased by $189,000 and $51,000 in the three and six months periods ended March 31, 1992. Gross profits as a percentage of revenue were 10.5% and 10.6% in the three and six months periods ended March 31, 1992 as compared to 12.1% and 11.9% in the three and six months periods ended March 31,1991. The change is attributed to increased competitive pressures on contract margins.

General and administrative expenses for the six months period ended March 31, 1992 decreased by 4.7% from $4,466,000 in 1991 to $4,254,000 in 1992 and reflect primarily reductions in administrative compensation costs.

Interest expense decreased by $5,000 and $1,000 in the three and six months periods ended March 31, 1992 due primarily to decreased interest rates which more then offset increased borrowing levels in the current period.

Part II

Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on March 27, 1992 at which 1,383,280 shares or 95.8% of outstanding shares were represented. At the meeting 99.9% voted for the election of Samuel Angelich, Mark Angelich and John Carmack as directors for the ensuing year and the appointment of KPMG Peat Marwick as the Company's independent accountants.

Item 6. Exhibits and Reports on Form 8-K

The Company filed a current report on Form 8-K, dated February 28, 1992, reporting a dividend on its common stock of $0.15 per share.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Amelco Corporation

Date: May 14, 1992

Patrick T. Miike
Chief Financial Officer,
Vice President-Finance and
Treasurer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________to____________

Commission File Number: 000-16893

DANNINGER MEDICAL TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-0992628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

4140 Fisher Road
Columbus, Ohio
43228-1607
(Address of principal executive offices)

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14-13-X
MAY 18 1992

(614) 276-8267
(Registrant's telephone number)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes__X__ No______

4,382,550
Shares of Common Stock Outstanding
As Of
March 31, 1992

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THIS DOCUMENT CONSISTS OF 19 PAGES
THE EXHIBIT INDEX IS AT PAGE 13.

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PART I - FINANCIAL INFORMATION
ITEM 1. - FINANCIAL STATEMENT

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,282	$ 70,223
Accounts receivable, trade (net of allowance for doubtful accounts of $264,603 and $229,500 for 1992 and 1991 respectively)	987,375	1,095,346
Net investment in sales-type leases, current (net of allowance for doubtful accounts of $3,515 for 1992)	183,073	105,376
Inventories	2,938,230	2,924,589
Prepaid expenses	124,502	105,348
Federal income taxes refundable	40,081	225,790
Deferrred income taxes	245,100	245,100
Total current assets	4,602,643	4,771,772
Property and equipment, net	1,144,072	1,188,013
Other assets:		
Net investment in sales-type leases, noncurrent portion (net of allowance for doubtful accounts of $28,040 for 1992)	1,462,110	913,694
Cash surrender value, life insurance	36,422	-----
Notes receivable (net of valuation allowance of $165,117)	59,963	66,963
Patents (net of accumulated amortization of $16,639 and $15,920 for 1992 and 1991, respectively)	13,866	14,585
Total assets	$ 7,319,076	$ 6,955,027

The accompanying notes are an integral part of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

		March 31, 1992 (Unaudited)		December 31, 1991 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion, term debt		334,855		412,634
Current portion, capital lease obligations		119,839		116,417
Accounts payable, trade		513,646		550,399
Accrued expenses		428,884		252,541
Other liabilities		40,502		53,502
Total current liabilities		1,437,726		1,385,493
Term debt, net of current maturities		1,500,160		1,311,816
Obligations under capital leases, net of current maturities		209,286		241,125
Deferred income taxes		271,400		271,400
Shareholders' equity:				
Common stock, $.01 par value: Authorized, 10,000,000 shares; issued and outstanding 4,382,550		43,825		43,825
Paid-in capital		2,493,841		2,493,841
Retained earnings		1,362,838		1,207,527
Total shareholders' equity		3,900,504		3,745,193
Total liabilities and shareholders' equity	$	7,319,076	$	6,955,027

The accompanying notes are an integral part
of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three month periods ending March 31, 1992 and 1991

(Unaudited)

	March 31, 1992	March 31, 1991
Revenue:		
Net sales	$ 1,994,660	$ 2,005,341
Lease and rental revenue	120,472	——
	2,115,132	2,005,341
Costs & expenses:		
Cost of goods sold	896,995	1,031,718
Sales and marketing	238,661	223,191
General and administrative	383,607	284,148
Research and development	244,417	268,774
Interest	35,152	34,150
Provision for doubtful accounts	66,658	——
	1,865,490	1,841,981
Operating income	249,642	163,360
Other income	669	5,552
Income before income taxes	250,311	168,912
Income tax expense	95,000	61,000
Net income	$ 155,311	$ 107,912
Net income per share	$ .03	$ .02
Weighted average shares outstanding including common stock equivalents	4,506,034	4,455,327

The accompanying notes are an integral part of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three month periods ending March 31, 1992 and 1991
(Unaudited)

	1992	1991
Net cash used in operating activities	$ (32,624)	$ (19,137)
Cash flows used in investing activities:		
Purchase of property and equipment	(35,475)	(84,715)
Net cash used in investing activities	(35,475)	(84,715)
Cash flows from financing activities:		
Net proceeds from line of credit	—	100,000
Proceeds from term debt	407,800	
Repayment of term debt and capitalized lease obligations	(325,652)	(29,252)
Proceeds from issuance of common stock and excercise of stock options	—	6,750
Net cash provided by financing activities	82,148	77,498
Net increase/(decrease) in cash	14,049	(26,354)
Cash balance at the beginning of the period	70,233	43,688
Cash balance at the end of the period	$ 84,282	$ 17,334
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 35,152	$ 34,150
Supplemental disclosure of non–cash investing and financing activities:		
Capital lease obligations incurred	$ —	$ 75,284

The accompanying notes are an integral part
of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Management's Statement

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Danninger Medical Technology, Inc. and Subsidiary at March 31, 1992, and the results of operations and cash flows for the three month period ending March 31, 1992 and 1991. The notes to the Consolidated Financial Statements which are contained in the 1991 Annual Report to Shareholders' should be read in conjuction with these Consolidated Financial Statements.

2. Inventories

Inventories are valued at the lower of first-in, first-out cost or market.

3. Income Taxes

The Company provides for federal and local income tax expense or benefit in interim periods using an estimated effective tax rate for the year. Estimated research and development credits reduce the effective rate from the statutory rate.

4. Revenue

During 1991, the Company's wholly-owned subsidiary, Cross Medical Products, Inc. elected to convert to a direct sales organization from its distributor network, both domestically and internationally. In 1991 receivable reserves were established for the gross profit on inventories which were expected to be returned to Cross as well as for possible distributor disputes.

Inventory returned by one distributor exceeded estimates and reserves were increased by the estimated gross profit previously recorded. Additional receivable reserves were also recorded to reflect final estimated settlement costs related to this distribution change.

ITEM 2.

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following table shows Danninger Medical Technology's operating results as a percent of revenues for the periods indicated for certain items reflected in the statement of operations.

	Percent of Sales for three months ending March 31, 1992	Percent of Sales for three months ending March 31, 1991
Revenue:		
Sales Revenue	94.3%	100.0%
Lease/Rental Revenue	5.7%	——
	100.0%	100.0%
Costs & Expenses:		
Cost of Goods Sold	42.4%	51.4%
Sales and Marketing	11.3%	11.1%
General and Administrative	18.1%	14.2%
Research and Development	11.6%	13.4%
Interest	1.7%	1.7%
Provision for doubtful accounts	3.2%	——
Other income	——	0.3%
Income before taxes	11.8%	8.4%
Income Taxes	4.5%	3.0%
Net income	7.3%	5.4%

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Revenue

		Three months Ended March 31, 1992		Three months Ended March 31, 1991
Sales Revenue	$	1,994,660	$	2,005,341
Lease Rental Revenue		120,472		——
	$	2,115,132	$	2,005,341

Total revenue increased by 5% for the three months ended March 31, 1992 over the same period in 1991. This increase was attributable to an 11% increase in unit sales of the Company's classic line of CPM products (Danniflex 440(TM) and Danniflex 450(TM)), a 16% increase in unit sales of specialty products sold under the sales–type leases (Danniflex 500(TM) leg CPM, Danniflex 900(TM) hand CPM, and the newly introduced thermal therapy unit (TTU)), and lease rental revenue related to the the specialty leases.

While the recovery division experienced an increase in sales, the Company's wholly–owned subsidiary, Cross Medical Products, Inc. (Cross) is changing its distribution networks (see Note 4 to the Notes to the Consolidated Financial Statements) and had lower sales in 1992 compared to 1991.

Cost of Goods Sold and Gross Profit

		Three months Ended March 31, 1992		Three months Ended March 31, 1991
Cost of Goods Sold and Gross Profit	$	896,995	$	1,031,718

Cost of Sales decreased by $134,723, from $1,031,718 for the first quarter of 1991 to $896,995 for the first quarter of 1992. Sales Revenue remained almost the same ($1,994 660 for 1992; $2,005,341 for 1991) and Cost of Sales as a percentage of sales decreased from 51.4% in 1991 to 45.0% in 1992.

The decrease was a result of higher margins recorded for the specialty lease related products and efficiencies and cost containment in direct labor.

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Sales & Marketing Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Sales & Marketing	$ 238,661	$ 223,191

Sales and Marketing expense increased $15,470 (7%) from $223,191 for the first quarter of 1991 to $238,661 for the first quarter of 1992. Two people were added for training support related to the specialty dealer lease program. The Company changed from a sales representative to direct sales organization in the second quarter of 1991 and commissions were eliminated at that time.

General and Administrative Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
General & Administrative	$ 383,607	$ 284,148

General and Administrative expenses for the first quarter of 1992 increased 35% over the same period in 1991, from $248,148 to $383,607. In early 1991, the Chief Financial Officer was promoted to President and Chief Operating Officer, and a new Chief Financial Officer was added in the third quarter of 1991. Additionally, an administrative staff position was added in the second quarter of 1991.

In January 1992, the Company converted to a new data processing system. Benefits are expected to include increased manufacturing and inventory control, however, first quarter start up costs are reflected in General and Administrative expense.

The Company also experienced an increase in property tax and property and liability insurance costs.

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Research and Development Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Research and Development	$ 244,417	$ 268,774

Research and Development costs were down 9% for 1992 from 1991. The Company had fewer people in research and development in 1992 than in 1991.

Provision for Doubtful Accounts Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Provision for Doubtful Accounts Expense	$ 66,658	$ -----

The Company accrues 5% of specialty lease product sales as a provision for doubtful accounts. The leases are for a 48 month period and management believes reasonable reserves must be accrued.

Additionally, receivable reserves were increased to reflect the final estimated settlement related to Cross' distribution channel change (see Note 4 to the Notes to the Consolidated Financial Statements).

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interest Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Interest	$ 35,152	$ 34,150

Although the Company's borrowings increased in 1992 over 1991, interest remained about the same due to lower interest rates.

Income Tax Expense/(Benefit)

The estimated effective tax rate for the three month period ended March 1992, was 38% compared to 36% in 1991. This increase results from a reduction in research and development credits estimated to be available in 1992.

Liquidity And Capital Requirements

Working capital decreased from $3,386,279 at December 31, 1991 to $3,164,917 at March 31, 1992, or $221,362. The current ratio (ratio of current assets to current liabilities) was 3.2 to 1 at March 31, 1992 and 3.4 to 1 at December 31, 1991.

Management believes that the working capital, bank line of credit in the amount of $1,000,000 which was fully utilized at March 31, 1992, and a loan arrangement with the bank whereby up to $2,500,000 (increased to $6,000,000 in May, 1992) can be borrowed from the bank to support the Company's lease activities, and funds generated by operations will be adequate to meet the presently identifiable capital requirements.

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed in the accompanying index to exhibits are filed as a part of this Report.

(b) Reports on Form 8-K

None

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

DANNINGER MEDICAL TECHNOLOGY, INC.
(Registrant)

Dated: May 13, 1992

Joseph A Mussey
Joseph A. Mussey
Chief Executive Officer, President,
and Treasurer

Dated: May 13, 1992

John Jenkins
John Jenkins
Chief Financial Officer
(Principal Financial Officer)

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY

FORM 10-Q
EXHIBIT INDEX

Exhibit No.	Exhibit	Page No.
2	Not applicable	
4	Reference is made to Articles Fourth, Eighth, Ninth and Tenth of the Company and Articles II, III, IV, VI, VII and VIII of the Company's Bylaws, filed as Exhibits 3(a) and 3(b) to the Form 10 filed May 3, 1988 and incorporated by reference herein. Instruments defining the rights of holders of long-term debt will be furnished to The Securities and Exchange Commission upon request.	
11	Statement re: Computation of Per Share Earnings	14
15	Not applicable	
18	Not applicable	
19	Not applicable	
20	Not applicable	
23	Not applicable	
24	Not applicable	
25	Not applicable	
28	Not applicable	

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
EXHIBIT 11
COMPUTATION OF NET INCOME PER SHARE
For the three month periods ending March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
Weighted average number of common shares outstanding	4,382,550	4,214,750
Shares issuable pursuant to employee stock option plans and stock warrants, less shares assumed repurchased at the average market prices	123,484	240,577
Weighted average shares outstanding, including common stock equivalents	4,506,034	4,455,327
Net income/(loss)	$ 155,311	$ 107,912
Net income/(loss) per share:	$ .03	$ .02

Note: The application of the higher of quarter-end or year end market prices in calculating fully-diluted earnings per share does not result in material dilution to the reported earnings per share amounts.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-16355

DE NOVO CORPORATION
(Exact name of registrant as specified in its charter)

Ontario, Canada
(State or other jurisdiction of incorporation or organization)

209 Wyecroft Road, Oakville, Ontario L6K 3T6
(Address of principal executive offices)
(Zip Code)

[illegible]
(I.R.S. Employer Identification Number)

(416) 849-6522
(Registrant's telephone number, including area code)

BEST ENERGY SYSTEMS INC.
(Former name, former address and former fiscal year, if changed since last re

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and has been subject to such filing requirements for the past 90 days.

Yes..X.. No.....

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. (See Financial Statements attached.)

# of shares: 8,862,018

BEST COPY
AVAILABLE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DENOVO CORPORATION

DATE: May 14, 1992

DENOVO CORPORATION
Edward J. Tobin,
President

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements:

The following statements have been attached to this form.
All financial information, unless specifically stated otherwise, is expressed in Canadian dollars.

- Unaudited Balance Sheets as of March 31, 1992 and the Audited Balance Sheet December 31, 1991.
- Unaudited Statement of Loss and Deficit for three months ended March 31, 1992 and 1991.
- Unaudited Statement of Changes in Financial Position for the three months ended March 31, 1992 and 1991.
- Condensed Notes to the Unaudited Financial Statements.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recent Developments

On January 31, 1992, the Company reached agreement to acquire approximately 14.8 million shares of Consumers Paper Corp. ("Consumers") from Consumers and certain of its shareholders. Under the terms of the agreement, DeNovo subsequently acquired 6 million new shares for cash of $1.5 million, and 5.0 million shares from existing Consumer shareholders in exchange for approximately 1,869,000 shares of the Company with an aggregate value of $3,078,000.

The cash portion of the investment by DeNovo is Consumer came from DeNovo's current cash balances. As this was the major portion of DeNovo's liquid assets, DeNovo conducted a private placement of 636,667 common shares raising approximately 1.1 million. As a result of these transactions, the Company holds approximately 70% of the common shares of Consumers. The Company has agreed to invest additional cash of $2.5 million for 4 million new shares upon certain project milestones. This will increase the Company's ownership of Consumers to approximately 75%.

Consumers is currently developing an integrated tissue and recycled pulp plant in Alberta. The project's capital budget is approximately $45 million, expected to be financed through debt ($31 million), economic development grants ($1 million), an interest free loan from the federal government ($5 million) and equity ($8 million). The Company and Consumers are currently negotiating the terms of this financing with third parties.

The first three months of 1992 compared to the first three months of 1991

Results of Operations

Revenues for the first three months ending March 31, 1992 increased to $141,000 (1991 - $53,000). These revenues result from the completion of the Guelph Utility Pole contract.

Costs and other expenses increased to $274,000 from $120,000 due to the costs of the Guelph Utility Pole project and increased selling and administration costs associated with the Recycling Divisions activities in developing the Consumers Paper project.

Interest and other income increased due to the higher cash and short term deposit balances as a result of the private placement. No provision has been made for income tax as no tax liability arose for the current period.

Financial Condition at March 31, 1992

The Balance Sheet at March 31, 1992 changed significantly from December 31, 1991 due to the acquisition of Consumers.

Cash and short term deposits increased to $1,567,000 at March 31, 1992 (December 31, 1991 - $967,000). This increase is due to the private placement of common shares and the receipt of the Union Carbide settlement (listed in other receivables at December 31, 1991) less the cash invested in the Consumer's acquisition to date.

Accounts receivable have increased to $136,000 at March 31, 1992 from $46,000 at December 31, 1991 due to the final billings on the Guelph Utility Pole contract.

Deposits and prepaid expenses increased from $26,000 at December 31, 1991 to $907,000 at March 31, 1992 due to deposits on equipment made by Consumers (see note 4).

Property, Plant and Equipment, Goodwill and Current Liabilities increased significantly from December 31, 1991 to March 31, 1992 due to the Consumers acquisition (see note 7).

The Mortgage payable recorded at March 31, 1992 is on the land and building of Consumers (see note 5).

The Minority interest balance at March 31, 1992 reflects the 30% interest the minority shareholders of Consumers have in the net assets of Consumers at March 31, 1992.

Capital stock increased in the quarter due to the private placement of $1,100,000 and the issuance of new DeNovo shares that were exchanged for Consumers shares in the acquisition of Consumers, (note 6 and 7).

PART II OTHER INFORMATION

None

NO OTHER EXHIBITS OR INFORMATION.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

March 31, 1992

UNAUDITED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 1992 and AUDITED BALANCE SHEET FOR DECEMBER 31, 1991

(Expressed in Canadian Dollars)

	MARCH 31, 1992	DECEMBER 31, 1991
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits	$1,017,000	$967,000
Restricted short-term deposits (note 4)	550,000	-
Accounts receivable	136,000	46,000
Other receivables	-	493,000
Inventories	12,000	12,000
Deposits and prepaid expenses (note 4)	907,000	26,000
	2,622,000	1,544,000
NOTES RECEIVABLE	47,000	55,000
PROPERTY, PLANT & EQUIPMENT At cost less accumulated depreciation of $334,000 (1991 - $324,000)	2,537,000	298,000
GOODWILL - at cost less accumulated amortization of $33,000 (1991 - $25,000) (note 7)	4,541,000	138,000
LICENCE, TECHNOLOGY AND KNOW-HOW At cost, less accumulated amortization $101,000 (1991 - $91,000) (note 6)	438,000	448,000
	$10,185,000	$3,483,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$1,594,000	102,000
Due to subsidiary shareholders	145,000	-
Notes payable	35,000	-
Current portion - Mortgage payable	50,000	-
	1,824,000	102,000
MORTGAGE PAYABLE (note 5)	736,000	-
MINORITY INTEREST	178,000	-
	2,738,000	102,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)	9,839,000	5,661,000
DEFICIT	(2,392,000)	(2,280,000)
TOTAL SHAREHOLDERS' EQUITY	7,447,000	3,381,000
	$10,185,000	$3,483,000

UNAUDITED CONSOLIDATED STATEMENT OF LOSS AND DEFICIT FOR THE QUARTER ENDED MARCH 31, 1992 and MARCH 31, 1991

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED MARCH 31	
	1992	1991
	$	$
REVENUE	141,000	53,000
COSTS AND EXPENSES		
Cost of sales	97,000	33,000
Selling and administration	139,000	73,000
Amortization	38,000	14,000
	274,000	120,000
LOSS FROM OPERATIONS	133,000	67,000
Interest and other income	21,000	8,000
NET LOSS FOR THE PERIOD	112,000	59,000
DEFICIT - BEGINNING OF PERIOD	2,280,000	2,135,000
DEFICIT - END OF PERIOD	2,392,000	2,194,000
LOSS PER SHARE	0.01	0.02

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE THREE MONTHS ENDED MARCH 31, 1991 and MARCH 31, 1992

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED MARCH 31	
	1992 $	1991 $
OPERATING ACTIVITIES		
Loss for the period	112,000	$59,000
Items not affecting cash - Amortization	28,000	14,000
	84,000	45,000
Net increase (decrease) in non-cash working capital balances related to operations	(246,000)	(74,000)
Cash (used in) provided by operating activities	(330,000)	(29,000)
INVESTMENT ACTIVITIES		
Acquisition of company	(3,078,000)	-
Purchase of Minority Interest	(178,000)	-
Repayment of note	8,000	-
Acquisition of fixed assets	-	(3,000)
Cash (used in) investment activities	(3,248,000)	(3,000)
FINANCING ACTIVITIES		
Issuance of common shares	4,208,000	1,197,000
Share issue expense	(30,000)	-
Cash provided by financing activities	4,178,000	1,197,000
Increase in Cash during the Period	600,000	1,223,000
Net Cash - Beginning of Year	967,000	192,000
Net Cash - End of Period	1,567,000	1,415,000

Net cash consists of cash and short term deposits.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED March 31, 1992
(Expressed in Canadian Dollars)

1. The information presented in the accompanying consolidated Financial Statements has not been audited by independent chartered accountants. In the opinion of the Company, the unaudited consolidated financial statements for the three months ended March 31, 1992 incorporate all adjustments necessary to present fairly the financial position of the Company, the results of its operations and the changes in its financial position for the three months ended March 31, 1992 in accordance with accounting principles generally accepted in Canada which differ in some respects from accounting principles generally accepted in the United States, the effect of which is explained in Note 7. The consolidated balance sheet at December 31, 1991 has been taken from the Company's audited financial statements as at December 31, 1991. The accompanying financial statements should be read in conjunction therewith.

2. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

3. **Significant Accounting Policies**

   a) **Basis of Consolidation -**

   The consolidated financial statements include the accounts of DeNovo Corporation (the "Company" - formerly Best Energy Systems Inc.), its wholly-owned subsidiary, DeNovo Corporation (USA) ("DeNovo USA" - formerly STK Recycling Ltd.), a U.S. company engaged in recycling project development, and Consumers Paper Corp. (Consumers). The company acquired Consumer's late in the first quarter and as at March 31, 1992 held 70%. (see note 7).

   b) **Inventories -**

   Inventories consist of raw materials are stated at the lower of actual cost and replacement value.

   c) **Contracts in Progress -**

   The percentage of completion method is used to account for contracts in progress when related costs can be reasonably estimated. The completed contracts method is used for certain contracts for which related costs cannot be reasonably estimated. A contract is considered complete when products are delivered or required reports are produced.

   d) **Amortization -**

   Property, Plant and Equipment amortization is provided using the following methods at rates designed to amortize the cost of equipment over its estimated useful life:

Office furniture and fixtures	Diminishing balance basis	20% per annum
Machinery and equipment	Diminishing balance basis	20% per annum
Equipment leased to third parties -		
Monitoring equipment	Straight-line basis	2 years
Heat exchanger equipment	Straight-line basis	10 years

3. Significant Accounting Policies (cont'd)

d) Amortization (cont'd)

The subsidiary company, Consumers is in a pre-operating stage and has not recorded amortization on its assets as the plant has not commenced operations.

e) Goodwill

The excess of cost of investment in the subsidiary company, DeNovo (USA), over the fair value of the net assets acquired is recorded as goodwill and is being amortized over its estimated life of five years using the straight-line method. The excess cost of the investment in the subsidiary company (Consumers) over the fair-value of the net assets acquired is also recorded as goodwill and is being amortized over its estimated life of twenty years using the straight line method.

f) License, technology and know-how -

Purchased technology and know-how is recorded at cost and amortized over the revenue producing life of the license (15 years) and related products (to a maximum of five years).

g) Foreign currency translation -

Revenues and expenses arising from a foreign currency transaction are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities at each balance sheet date are translated using the rate in effect at the balance sheet date. Related exchange gains or losses are included in the determination of earnings.

h) Earnings per share -

The computation of earnings per share is based on the weighted average number of common shares outstanding during the period.

4. Option on Equipment

On April 19, 1990, a subsidiary company entered into an agreement with Cellima, S.A., a Swiss company, to purchase equipment, including a waste paper conveying system, de-inking plant and cell unit. The contract was renegotiated by the company in 1992 and the final payment of $800,000 is due on shipment. An irrevocable letter of credit has been put in place for this final payment which is secured by $550,000 in restricted short term deposits, and $250,000 is secured by the Company's working capital line of credit. The company has made to date non-refundable payments totalling $92,000 which are included in deposits and prepaid expenses on the balance sheet.

5. Mortgage Payable

	March 31, 1992	December 31, 1991
Mortgage, which is secured by the plant, is due on May 15, 1996, bears interest at 11% per annum and is payable in monthly payments of $8,970 (blended principal and interest)	$786,000	$ -
Current portion	50,000	-
	$736,000	$ -

6. Capital Stock

a) Authorized -

Unlimited number of preference shares, issuable in series, without par value. The rights, privileges, restrictions and conditions of each series to be issued shall be fixed from time to time by the directors.

32,500 Series 'A' Preference Shares, redeemable at the option of the Company at any time at a price of $1.24 per share, redeemable at the option of the holder up to December 31, 1991, at a price of $1.24 per share and convertible at the option of the holder at any time into common shares of the Company at a price equivalent to $1.24 per common share.

Unlimited number of common shares without par value.

3,500,000 common share purchase warrants (1990 - Nil), 3,000,000 exercisable at $1.00 per share, 500,000 exercisable at $0.50 per share.

b) Issued	March 31, 1992	December 31, 1991
32,500 Series A preference shares	40,000	$ 40,000
8,862,018 Common shares (1991 - 5,656,000)	9,624,000	4,546,000
3,500,000 common share purchase warrants	$ 175,000	$ 175,000
	$9,839,000	$4,761,000
Allotted -		
Nil common shares	-	$ 900,000
(Dec 31, 91 - 700,000)		
	$9,839,000	$5,661,000

6. Capital Stock (cont'd)

c) Changes in capital stock are as follows:

	Number Of Shares	$
Common shares issued on December 31, 1991	5,656,000	4,546,000
Allotted as December 31, 91, Issued March 31, 1992 700,000	700,000	900,000
Common shares issued through private placement	636,667	1,100,000
Common share issued in exchange for Consumers shares	1,869,351	3,078,000
Total common shares issued March 31, 1992	8,862,018	9,624,000

d) In March, 1992, the Company completed a private placement of 636,667 common shares for net cash proceeds of $1,100,000.

e) In March, 1992, the Company exchanged 1,869,351 common shares valued at $3,078,000 for 5.0 million shares of existing Consumers shareholder's shares. (see note 7).

7. Acquisition

a) On January 31, 1992, the Company reached a preliminary agreement to acquire approximately 14.8 million shares of Consumers from Consumers and certain of its shareholders. Under the terms of the agreement, DeNovo acquired 203,000 shares for cash of $100,000 and issued 700,000 new shares for 1,740,000 shares of Consumers to a related Company (note 8) up to December 31, 1991. In 1992, 6 million new shares of Consumers were acquired for cash of $1.5 million. As of March 31, $750,000 had been invested in cash and $750,000 was on deposit against an irrevocable letter of credit supporting an equipment purchase contract through to March 31, 1992. 5.0 million shares were obtained from existing Consumers shareholders in exchange for approximately 1,869,000 new shares of the Company with an aggregate value of $3,078,000. As a result of these transactions the Company holds approximately 70% of the common shares of Consumers at March 31, 1992. The Company has agreed to invest $2.5 million for 4 million new shares upon certain project milestones. This will increase the Company's ownership of Consumers to approximately 75%.

Consumers is currently developing an integrated tissue and recycled pulp plant in Alberta. The project's capital budget is approximately $45 million, expected to be financed through debt ($31 million), economic development grants ($1 million), an interest free loan from the federal government ($5 million) and equity ($8 million). The Company and Consumers are currently negotiating the terms of this financing with third parties.

As the exchange of shares and signing of the agreement were not completed until late March 1992, with effect from March 31, 1992, the Company acquired 70% of Consumers.

7. Acquisition (cont'd)

The acquisition was accounted for by the purchase method. The net assets acquired were as follows:

Net Working Capital	($1,471,000)
Fixed Assets	3,144,000
Assumption of debt obligations	(1,078,000)
Minority interests	(178,000)
Net assets acquired	417,000
Purchase price - cash	850,000
shares	3,978,000
	4,828,000
Goodwill	-
	4,411,000

8. Commitments

On December 20, 1990, (amended September 4, 1991) Consumers entered into a contract totalling $2,750,000 with Stake Technology Ltd. (Stake) for the supply of engineering services, equipment and related technology for the stream processing of waste paper to produce recycled pulp. The contract went into effect on the payment of a down payment of $62,500 plus 1,740,000 Class A shares of the Consumers at a price of $0.52 per share. In 1991, these shares were exchanged by Stake for 700,000 shares of the Company valued at $900,000. The deposit and value of the shares exchanged are reflected in fixed assets. The remaining contract will be paid with cash based on certain project milestones. Stake Technology Ltd. holds approximately 31% of the common shares of the Company and its Chairman and Chief Executive Officer is the Chairman of DeNovo Corporation.

9. United States Accounting Principles Differences

These unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Under Unites States generally accepted accounting principles ("GAAP"), preference shares whose redemption is outside the control of the issuer are excluded from shareholders' equity. As a result, shareholder's equity would amount to $7,407,000 at March 31, 1992 (December 31, 1991 - $3,341,000)

DENOVO CORPORATION

208 Wyecroft Road
Oakville, Ontario
L6K 3T8

Telephone:(416) 849-6522
FAX: (416) 842-7325

AUDITORS

Coopers & Lybrand
201 City Centre Drive
Mississauga, Ontario
L5B 2T4

TRANSFER AGENT

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004
USA

COMMON STOCK LISTING NASDAQ

DENOVO Symbol: DNVOF

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1992

PROCESSED BY
15-15 sec
MAY 18 1992

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Commission File Number 0-4518

DEPOSIT GUARANTY CORP.
(Exact Name Of Registrant As Specified In Charter)

134

Mississippi
(State Or Other Jurisdiction Of Incorporation Or Organization)

64-0472169
(IRS Employer Identification Number)

210 East Capitol Street, Jackson, MS 39201
(Address Of Principal Executive Offices)
(Zip Code)

(601) 354-8564
(Registrant's Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Shares Of Common Stock, No Par Value, Outstanding
As Of March 31, 1992: 8,101,047

The total number of sequential pages contained in this document is 15.
The exhibit index is located at sequential page number 12.

PART I: Financial Information
ITEM 1. Financial Statements
Deposit Guaranty Corp. and Subsidiaries
Condensed Consolidated Statements of Condition
(In Thousands Except Share Data)

	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 313,710	$ 324,935
Interest-bearing bank balances	104,799	99,724
Investment securities (market value: 1992 - $1,652,206; 1991 - $1,740,897)	1,609,682	1,666,859
Trading account securities	2,751	2,793
Federal funds sold and securities purchased under agreements to resell	298,375	398,664
Loans	2,328,035	2,364,041
Less: Unearned income	(47,909)	(52,518)
Allowance for possible loan losses	(87,671)	(87,493)
Net loans	2,192,455	2,224,030
Bank premises and equipment	120,777	121,850
Other assets	248,170	219,983
Total assets	$4,890,719	$5,058,838
Liabilities		
Deposits:		
Noninterest-bearing	$ 716,675	$ 721,681
Interest-bearing	3,198,496	3,353,924
Total deposits	3,915,171	4,075,605
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	562,972	597,372
Long-term debt	18,139	24,020
Other liabilities	96,883	76,236
Total liabilities	4,593,165	4,773,233
Stockholders' equity		
Cumulative preferred stock, no par value, authorized: 10,000,000 shares of class A voting; and 10,000,000 shares of class B non-voting; issued and outstanding: none	--	--
Common stock, no par value, authorized 50,000,000 shares; issued and outstanding: 1992 - 8,101,067 shares; 1991 - 7,899,998 shares	17,774	17,332
Surplus	134,717	129,139
Retained earnings	145,063	139,134
Total stockholders' equity	297,554	285,605
Total liabilities and stockholders' equity	$4,890,719	$5,058,838

PART I. Financial Information
ITEM 1. Financial Statements (Continued)
Deposit Guaranty Corp. and Subsidiaries
Condensed Consolidated Statements of Earnings
(In Thousands Except Share Data)

	Three Months Ended March 31,	
	1992	1991
Interest income		
Interest and fees on loans	$ 48,223	$ 62,193
Interest on investment securities:		
Taxable	28,105	25,904
Exempt from Federal income tax	3,344	4,150
Interest on trading account securities	58	71
Interest on Federal funds sold and securities purchased under agreements to resell	3,979	7,689
Interest on bank balances	1,732	1,969
Total interest income	85,441	101,976
Interest expense		
Interest on deposits	40,115	55,069
Interest on Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	5,026	7,923
Interest on long-term debt	513	525
Total interest expense	45,654	63,517
Net interest income	39,787	38,459
Provision for possible loan losses	4,564	5,130
Net interest income after provision for possible loan losses	35,223	33,329
Other operating income		
Service charges on deposit accounts	5,647	5,078
Fees for trust services	2,772	2,732
Investment securities gains (losses)	423	(57)
Other service charges, commissions and fees	6,580	6,490
Other income	1,787	1,907
Total other operating income	17,209	16,150
Other operating expense		
Salaries and employee benefits	21,338	19,714
Net occupancy expense	2,692	2,701
Equipment expense	3,329	3,576
Service fees	2,494	2,465
Communication	1,821	1,780
FDIC assessment	2,257	1,874
Advertising	2,018	1,636
Other expense	4,071	4,208
Total other operating expense	40,020	37,954
Income before income taxes	12,412	11,525
Income tax expense	3,394	2,821
Net income	$ 9,018	$ 8,704
Net income per share:		
Primary	$ 1.14	$ 1.10
Fully diluted	1.07	1.04
Cash dividends per share:	$ .39	$ .39
Weighted average shares outstanding:		
Primary	7,922,395	7,899,998
Fully diluted	8,921,194	8,721,194

PART I. Financial Information
ITEM 1. Financial Statements (Continued)
Deposit Guaranty Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands Except Share Data)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 9,018	$ 8,704
Adjustments to reconcile net income to net cash used by operating activities:		
Provision for possible loan losses	4,564	5,130
Provision for possible losses on other real estate	122	11
Provision for depreciation and amortization	4,765	4,812
Accretion of discount on investment securities, net	(2,064)	(3,676)
Deferred loan fees and costs	(23)	(35)
Increase (decrease) in other liabilities	4,279	(10,089)
Increase in other assets	(10,993)	(3,309)
Net cash paid for loans held for resale	(15,600)	(8,324)
(Gain) loss on sale of investment securities	(423)	57
Other, net	(194)	(880)
Net cash used by operating activities	(6,549)	(7,599)
Cash flows from investing activities:		
Net (increase) decrease in interest-bearing bank balances	(5,076)	30,007
Proceeds from sales of investment securities	28,940	8,711
Proceeds from maturities of investment securities	113,029	41,142
Purchases of investment securities	(82,279)	(122,165)
Net decrease (increase) in Federal funds sold and securities purchased under agreements to resell	100,289	(43,093)
Net decrease in loans	38,395	68,235
Proceeds from sales of other real estate	2,229	1,433
Purchases of bank premises and equipment	(2,337)	(2,330)
Proceeds from sales of bank premises and equipment	25	37
Net cash provided (used) by investing activities	193,215	(18,023)

PART I. Financial Information
ITEM 1. Financial Statements (Continued)
Deposit Guaranty Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands Except Share Data)

	Three Months Ended March 31,	
	1992	1991
Cash flows from financing activities:		
Net (decrease) increase in deposits	(160,403)	38,786
Net decrease in Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(34,400)	(86,318)
Cash dividends paid	(3,088)	(3,081)
Net cash used by financing activities	(197,891)	(50,613)
Decrease in cash and due from banks	(11,225)	(76,235)
Cash and due from banks at beginning of period	324,935	366,504
Cash and due from banks at end of period	$ 313,710	$ 290,269

Income taxes:
The Company made no income tax payments during the three month period ended March 31, 1992 and paid $6.3 million during the three month period ended March 31, 1991.

Interest:
The Company paid $47.6 million and $64.9 million in interest on deposits and other borrowings during the three month periods ended March 31, 1992, and 1991, respectively.

Convertible debt:
During the first quarter of 1992, $5.9 million of the Company's convertible subordinated debentures were converted into 201,049 shares of common stock.

PART 1. Financial Information
ITEM 1. Financial Statements
Deposit Guaranty Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. All adjustments which, in the opinion of management, are necessary for a fair presentation of financial position and results of operations have been made.

The condensed consolidated financial statements of Deposit Guaranty Corp. include the financial statements of Deposit Guaranty National Bank, a 98%-owned subsidiary, G & W Life Insurance Co., a 79%-owned subsidiary, and Commercial National Corporation, a wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE B - CONTINGENCIES

The Company's subsidiary, Commercial National Bank (Commercial), is a defendant in litigation arising out of a Louisiana Housing Finance Agency Municipal Bond Issue. Commercial was trustee for the issue and, in general, it is claimed that fraud was practiced on the bondholders in that the proceeds of the issue were not used for the purpose stated in the official statement. Additionally, the claim alleges conspiracy and improper conduct concerning Commercial's role as trustee. Although the litigation currently involves only one bondholder, certification as a class action suit has been requested. The claim does not specify damages, but involves a $150,000,000 bond issue. While the ultimate outcome of the lawsuit at this time cannot be predicted with certainty, management believes that Commercial has good and meritorious defenses and should prevail.

NOTE C - LONG-TERM DEBT

On March 17, 1992, the Company called for redemption all of its 8 3/4% convertible subordinated debentures due 2010. The debentures were convertible into the Company's common stock or redeemable at a cash redemption price of $1,064.65 per $1,000 debenture. On April 17, 1992, the call for redemption was completed, resulting in all of the $23.5 million of debentures being converted into 803,686 shares of common stock. Assuming the conversion had taken place at the beginning of each period presented, primary net income per share would have been equal to the reported fully diluted net income per share.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Deposit Guaranty Corp.:

We have reviewed the condensed consolidated statement of condition of Deposit Guaranty Corp. and subsidiaries as of March 31, 1992 and the related condensed consolidated statements of earnings and cash flows for the three-month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated statement of condition of Deposit Guaranty Corp. and consolidated subsidiaries as of December 31, 1991, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 31, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of condition as of December 31, 1991, is fairly presented, in all material respects, in relation to the consolidated statement of condition from which it has been derived.

KPMG Peat Marwick

KPMG Peat Marwick

Jackson, Mississippi
April 21, 1992

Part I. Financial Information
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Deposit Guaranty Corp. and Subsidiaries

The following discussion reviews the financial condition and the results of operations of Deposit Guaranty Corp. (the Company) for the three-month periods ending March 31, 1992 and 1991. This discussion should be read in conjunction with the condensed consolidated financial statements included in Part I, Item I.

Balance Sheet

Total assets were $4.891 billion at March 31, 1992, compared to $5.059 billion at December 31, 1991. Investment securities decreased $57 million from December 31, 1991 to March 31, 1992, largely due to an increase in the volume of prepayments on mortgage-backed securities. As a result of a decrease in the available funding sources and the low rate environment, funds were not reinvested in the investment portfolio. Total loans decreased from $2.312 billion at December 31, 1991 to $2.280 billion at March 31, 1992, primarily as a result of weak loan demand as a result of slow economic growth. Federal funds sold and securities purchased under agreements to resell decreased $100 million in the first quarter of 1992. Total deposits decreased $160 million from December 31, 1991 to March 31, 1992, largely as a result of a decrease in interest-bearing deposits. During the first quarter of 1992 the Company moved approximately $120 million in interest-bearing deposits held on behalf of its trust customers to alternative investments due to low spreads earned on these funds. As interest rates remain low, short-term liquid deposits are growing as customers avoid committing to a long-term investment at lower rates. Total stockholders' equity was $297.6 million at March 31, 1992, compared to $285.6 million at December 31, 1991. This represents an increase of $12 million of which $5.9 million is due to the conversion of the Company's convertible subordinated debentures into common stock discussed below in Capital.

Net Income

Net income for the first quarter of 1992 was $9.0 million compared to $8.7 million for the first quarter of 1991. Fully diluted net income per share was $1.07 for the first quarter of 1992 compared to $1.04 for the same period in 1991.

Net Interest Income

Net interest income for the first quarter of 1992 was $39.8 million compared to $38.5 million for the same period in 1991. The tax equivalent net interest margin was 3.82% for the first quarter of 1992 compared to 3.79% in 1991. This increase in the margin was a result of an increase in the interest spread and a decrease in liability funding. The interest spread, the difference between the yield on interest-earning assets and the rate paid on interest-bearing liabilities, increased from 3.06% for the first quarter of 1991 to 3.28% for the first quarter of 1992. This increase in the

Net charge-offs for the first quarter of 1992 were $4.4 million or .77% of average total loans. Although this represents an increase when compared to the first quarter of 1991 net charge-offs of $2.8 million or .45% of average total loans, the first quarter 1992 performance is consistent with the performance for the twelve months of 1991 where net charge-offs to average total loans were .78% for the year.

Capital

The Company's capital ratios continue to be higher than the minimum regulatory guidelines. At March 31, 1992, the leverage ratio (tier 1 to total assets) was 5.86% compared to 5.36% at March 31, 1991. Under the 1992 risk-based capital guidelines, the tier 1 capital and total risk-based capital ratios continue to be well above regulatory guidelines.

On March 17, 1992, the Company called for redemption all of its 8 3/4% convertible subordinated debentures due 2010. The debentures were convertible into the Company's common stock or redeemable for cash. As of March 31, 1992, $5.9 million of debentures had been converted to 201,049 shares of common stock, increasing stockholders' equity by approximately the same amount. On April 17, 1992, the call for redemption was completed, resulting in all of the $23.5 million of debentures being converted into 803,686 shares of common stock, increasing stockholders' equity by approximately the same amount.

Liquidity

As part of its liquidity management process, the Company maintains a Federal funds market within Mississippi, Louisiana and other contiguous states. Historically, the Company has relied more on Federal funds purchased and securities sold under agreements to repurchase as a funding source than it does today. During the past several years the Company has emphasized growth in core deposits to fund its asset growth. A portion of the growth in core deposits has been a result of the Company's merger and acquisition activity. The Company also maintains funding relationships with numerous banks and other financial institutions. Borrowings from these sources remain generally small, as the Company prefers to meet liquidity requirements through basic growth and through the matching of maturities of assets and liabilities, especially during seasonal periods of liquidity outflows.

interest spread was primarily the result of the Company reducing interest rates paid on many of its deposit accounts which were traditionally considered fixed rate. These rates were reduced in the fourth quarter of 1991 as result of the significant drop in the prime rate during 1991. Liability funding, the percentage of interest-earning assets funded by interest-bearing liabilities, decreased from 89.00% in the first quarter of 1991 to 88.49% in the first quarter of 1992. This decrease in liability funding is a result of an increase in average demand deposits from $653.4 million for the first quarter of 1991 to $701.4 million for the first quarter of 1992.

Other Operating Income

Other operating income for the first quarter of 1992 was $17.2 million compared to $16.2 million for the first quarter of 1991. This increase of $1.0 million was primarily the result of an increase in service charges on deposit accounts and gains on investment securities transactions. The increase in service charges on deposit accounts was primarily due to adjustments in fee schedules. Investment securities gains for the first quarter of 1992 were $423 thousand compared to investment securities losses of $57 thousand for the same period in 1991. Other income for the first quarter of 1992 reflects a gain of $460 thousand resulting from the disposal of stock warrants. Other income for the first quarter of 1991 reflects a $560 thousand gain on the sale of leased assets.

Other Operating Expense

Other operating expense for the first quarter of 1992 was $40.0 million compared to $38.0 million for the first quarter of 1991. This represents an increase of 5.4% and was primarily due to increases in salaries and employee benefits, advertising expense and FDIC assessment. Salaries and employee benefits increased $1.6 million due to normal salary increases, an increase in employee incentive plans and an increase in the cost of employee benefits such as group medical insurance and FICA and unemployment taxes. The increase in advertising expense of $382 thousand was primarily due to the effect of timing. The FDIC assessment increased $383 thousand as a result of increases in the FDIC assessment rate in July 1991.

Credit Quality

The provision for possible loan losses was $4.6 million for the first quarter of 1992 compared to $5.1 million for the first quarter of 1991. This decrease in the provision can be attributed to management's assessment of the level of risk in the loan portfolio and the adequacy of the allowance for possible loan losses. The allowance for possible loan losses at March 31, 1992, was 3.84% of total loans outstanding compared to 3.70% at March 31, 1991. Nonperforming assets were $101.6 million at March 31, 1992, compared to $100.7 million at December 31, 1991.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to the legal proceedings described in Item 3 of the Registrant's annual report on Form 10-K (file number 0-4518) filed with the Commission for fiscal year ended December 31, 1991.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index

Exhibit	Table Number	Sequential Page Number
Plan of acquisition, reorganization, arrangement, liquidation or succession	(2)	N/A
Instruments defining the rights of security holders, including indentures	(4)	N/A
Statement re computation of per share earnings	(11)	14
Letter re unaudited interim financial information	(15)	15
Letter re change in certifying accountant	(16)	N/A
Letter re change in accounting principles	(18)	N/A
Previously unfiled documents	(19)	N/A
Report furnished to security holders	(20)	N/A
Published report regarding matters submitted to vote of security holders	(23)	N/A
Consents of experts and counsel	(24)	N/A
Power of attorney	(25)	N/A
Additional exhibits	(28)	N/A

(b) No reports on Form 8-K have been filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DEPOSIT GUARANTY CORP.
(Registrant)

DATE: May 14, 1992

E. B. Robinson Jr.

E. B. Robinson, Jr.
Chairman of the Board and
Chief Executive Officer

DATE: May 14, 1992

Arlen L. McDonald, Treasurer,
Principal Financial and
Accounting Officer

Deposit Guaranty Corp.
Computation of Net Income Per Share
March 31, 1991

	Three Months Ended March 31,	
	Primary	Fully Diluted
Computation of weighted average shares outstanding:		
Common stock outstanding, beginning balance	7,899,998	7,899,998
Conversion of convertible subordinated debentures issued June 18, 1985	22,597	22,597
Assume conversion of convertible subordinated debentures issued June 18, 1985 into 620,147 shares of common stock	--	798,599
Weighted average shares outstanding	7,922,595	8,721,194
Computation of net income:		
Net income	$9,018,000	$9,018,000
Add: Interest expenses on convertible subordinated debentures, less tax effect at 34%	--	339,000
	$9,018,000	$9,357,000
Computation of net income per share:		
Net income divided by weighted average shares outstanding	$1.14	$1.07

KPMG Peat Marwick

Certified Public Accountants

Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201

Deposit Guaranty Corp.
Jackson, Mississippi

Gentlemen:

Re: March 31, 1992 Quarterly Report on Form 10-Q

With respect to the subject Quarterly Report, we acknowledge our awareness of the use therein of our report dated April 21, 1992 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act, such report is not considered a part of a Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

KPMG Peat Marwick

Jackson, Mississippi
May 14, 1992

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

BEST COPY AVAILABLE

Commission file number 33-41226

DIANON SYSTEMS, INC.
(exact name of registrant as specified in its charter)

Delaware (State of incorporation)	06-1128081 (IRS Employer Identification No.)
200 Watson Blvd, Stratford, CT (Address of principal executive offices)	06497 (zip code)

Registrant's telephone number, including area code: (203) 381-4000

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No__

The number of shares of Issuer's Common Stock, $.01 par value, outstanding on March 31, 1992 was 5,094,283 shares.

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DIANON SYSTEMS, INC.
AND SUBSIDIARIES
INDEX

Part I FINANCIAL INFORMATION

PAGE NO.

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Consolidated Income Statements for the three months ended March 31, 1992 and 1991. 4

Consolidated Statements of Stockholders' Equity for the three months ended March 31, 1992 and 1991. 5

Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991. 6

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DIANON SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	MARCH 31, 1992 (UNAUDITED)	DECEMBER 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$8,325,057	$ 9,815,253
Accounts receivable, net of allowances of $177,000 and $60,000, respectively	6,922,396	6,548,328
Prepaid expenses and employee advances	737,434	474,422
Inventory	911,515	228,732
Total current assets	16,896,402	17,066,735
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	334,620	334,620
Laboratory and office equipment	5,289,726	4,990,190
Less - accumulated depreciation and amortization	(2,347,973)	(2,108,464)
	3,276,373	3,216,346
DEFERRED INCOME TAX ASSET	200,000	200,000
OTHER ASSETS	122,935	126,591
TOTAL ASSETS	$20,495,710	$20,609,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 3,783,640	$ 3,964,849
Current portion of capitalized lease obligations	101,394	100,672
Total current liabilities	3,885,034	4,065,521
LONG-TERM PORTION OF CAPITALIZED LEASE OBLIGATIONS	274,175	299,268
MINORITY INTEREST IN LIMITED PARTNERSHIP	785,300	1,127,671
Total liabilities and minority interest	4,944,509	5,492,460
STOCKHOLDERS' EQUITY:		
Common stock, par value $.01 per share, 20,000,000 shares authorized, 5,094,283 shares issued and outstanding at March 31, 1992 and 5,055,345 at December 31, 1991, respectively	50,943	50,554
Additional paid-in capital	21,233,547	21,069,877
Accumulated deficit	(5,717,036)	(6,052,776)
Foreign currency translation adjustment	(16,253)	49,557
Total stockholders' equity	15,551,201	15,117,212
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,495,710	$20,609,672

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

DIANON SYSTEMS, INC.
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
NET REVENUES	$8,047,541	$5,863,631
COST OF SALES	3,194,139	2,072,533
Gross Profit	4,853,402	3,791,098
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,276,516	2,720,315
RESEARCH AND DEVELOPMENT EXPENSES	713,274	530,687
INTERNATIONAL OPERATING EXPENSES, NET	335,999	285,822
Income from Operations	527,613	254,274
INTEREST INCOME	80,741	53,316
INTEREST EXPENSE	12,614	30,087
Income Before Provision for Income Taxes	595,740	277,503
PROVISION FOR INCOME TAXES	260,000	27,000
Net Income	$ 335,740	$ 250,503
Weighted Average Shares Outstanding	5,511,711	4,072,001
Primary and Fully Diluted Earnings Per Share	$ .06	$ .06

The accompanying notes to consolidated financial statements are an integral part of these statements.

DIANON SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation Adjustment	Total
	Shares	$ Amount				
BALANCE, December 31, 1990	3,676,083	$36,761	$12,803,034	$(7,384,939)	$ --	$5,454,856
Stock options exercised	562	6	221	--	--	227
Employee stock awards	520	5	3,235	--	--	3,240
Change in foreign currency translation adjustment	--	--	--	--	15,560	15, 560
Net Income	--	--	--	250,503	--	250,503
Balance, March 31, 1991	3,677,165	$36,772	$12,806,490	$(7,134,436)	$15,560	$5,724,386
BALANCE, December 31, 1991	5,055,345	$50,554	$21,069,877	$(6,052,776)	$49,557	$15,117,212
Stock options exercised	38,938	389	13,743	--	--	14,132
Stock compensation expense - stock options	--	--	149,927	--	--	149,927
Change in foreign currency translation adjustment	--	--	--	--	(65,810)	(65,810)
Net Income	--	--	--	335,740	--	335,740
Balance, March 31, 1992	5,094,283	$50,943	$21,233,547	$(5,717,036)	$(16,253)	$15,551,201

The accompanying notes to consolidated financial statements are an integral part of these statements.

DIANON SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:	1992	1991
Net income	$ 335,740	$ 250,503
Adjustments to reconcile net income to net cash provided by (used in) operations -		
Non-cash charges		
Depreciation and amortization	239,509	144,013
Issuance of employee stock awards	--	3,240
Stock compensation expense	149,927	--
Loss assumed by limited partner	(342,371)	(133,981)
Changes in other current assets and liabilities		
(Increase) in accounts receivable	(374,068)	(105,520)
(Increase) in prepaid expenses and employee advances	(263,012)	(192,467)
(Increase) in inventory	(682,783)	(13,144)
(Increase) decrease in other assets	3,656	(2,365)
(Decrease) in accounts payable and accrued liabilities	(247,019)	(31,938)
Net cash (used in) operating activities	(1,180,421)	(81,659)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(299,536)	(59,412)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	--	(24,291)
Repayments of capitalized lease obligations	(24,371)	(26,262)
Sale of common stock and exercise of stock options	14,132	227
Net cash (used in) financing activities	(10,239)	(50,326)
Net (decrease) in cash and cash equivalents	(1,490,196)	(191,397)
CASH AND CASH EQUIVALENTS, beginning of year	9,815,253	3,904,972
CASH AND CASH EQUIVALENTS, end of year	$8,325,057	$3,713,575
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid during the period:		
Interest	$ 12,614	$ 30,087
Income Taxes	242,130	23,612

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company - The consolidated balance sheet as of March 31, 1992, the related consolidated statements of income, stockholders' equity and cash flows for the three months ended March 31, 1992 and 1991, have been prepared by DIANON Systems, Inc. (the "Company") without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and 1991 have been made. During the interim periods reported on, the accounting policies followed are in conformity with generally accepted accounting principles and are consistent with those applied for annual periods and described in the Company's annual report filed on Form 10-K with the Securities and Exchange Commission on March 31, 1992 (the "Annual Report").

   In July 1991, the Company registered 1,892,900 shares of common stock with the Securities and Exchange Commission. The Company sold 1,288,300 of these shares of common stock at an initial public offering price of $8.00 per share and received net proceeds of approximately $8.1 million. The proceeds have been reflected as an increase to stockholders' equity net of applicable costs associated with the offering.

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements included in the Company's Annual Report for the year ended December 31, 1991. The results of operations for the three months ending March 31, 1992 and 1991 are not necessarily indicative of the operating results for the full year.

2. Stock Options - Compensation expense arising from stock options granted to employees at prices below market value on April 23, 1991 and June 12, 1991 is recognized by the Company as the stock options vest. The Company charges earnings to fairly reflect the accounting for compensation costs. The offsetting charge is made to additional paid-in capital to provide adequate provisions for additional paid-in capital when the sale and issuance of vested stock occurs.

3. Descriptive Analysis - The descriptive analysis contained herein compares the financial results of the first three months ended March 31 for the years 1992 and 1991. To accommodate the comparison of pertinent financial information the following terms will be used to denote the respective periods:

   First quarter 1992 - current three months ended March 31, 1992
   First quarter 1991 - three months ended March 31, 1991

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

Results of Operations

- **Net Revenues**

Net revenues were $8.0 million during the first quarter of 1992, an increase of $2.2 million or 37% from the first quarter of 1991. All of this increase was attributable to higher testing volume of the Company's existing services. The net revenues generated from biomarker testing were $5.2 million, an increase of approximately $1.1 million or 26% from the first quarter of 1991. Biomarker testing services accounted for 64% of total net revenues in the first quarter of 1992 as compared to 70% in the first quarter of 1991. The net revenues generated from tissue testing services were $2.9 million, an increase of approximately $1.1 million or 65% from the first quarter of 1991. Tissue testing services accounted for 36% of total net revenues in the first quarter of 1992 as compared to 30% in the first quarter of 1991.

- **Cost of Sales**

Cost of sales, which consists primarily of salaries and wages, laboratory supplies, outside services, logistics (primarily shipping and handling), and depreciation expense, was $3.2 million during the first quarter of 1992, an increase of $1.1 million or 54% from the first quarter of 1991. Salaries and wages were approximately $574,000 in the first quarter of 1992, an increase of $153,000 or 36% from the first quarter of 1991. This increase was principally due to the number of laboratory employees increasing from 50 in the first quarter of 1991 to 62 in the first quarter of 1992. Laboratory supplies and outside services were approximately $1.4 million in the first quarter of 1992, an increase of $613,000 or 74% from the first quarter of 1991. This increase was the result of increased sales volume, increased costs for reagents used for some of the Company's blood tests and higher costs for tissue testing services performed by an outside reference laboratory. Logistics were $675,000 in the first quarter of 1992, an increase of $188,000 or 38.5% from the first quarter of 1991. This increase was due to increased volume. As a percentage of net revenues, cost of sales increased to 39.7% during the first quarter of 1992 from 35.3% during the first quarter of 1991.

- **Gross Profit**

As a result of the increase in net revenues and the increase in cost of sales as a percentage of net revenues, during the first quarter of 1992 gross profit increased $1.1 million or 28% from the first quarter of 1991. The Company's gross profit margin decreased to 60.3% in the first quarter of 1992 from 64.7% in the first quarter of 1991. The decrease in gross profit margin resulted from the adverse impact of higher cost reagents for some of the Company's blood tests, which the Company is investigating lower cost alternative sources to replace the current reagent suppliers. In addition, this decrease was attributable to a higher proportion of tissue testing services in relation to total sales and the adverse impact of a reduction in reimbursement rates for some of these services.

The clinical laboratory industry has seen steady downward pressure on prices exerted by both government and private third-party payors. Also, payment for services such as those provided by the Company is and likely will continue to be affected by periodic reevaluations made by payors concerning which services to reimburse and which to cease reimbursing. The reduction in reimbursement rates, particularly by Medicare, has generally decreased the average unit price for most of the Company's services each year. In particular, the Medicare prices for the Company's tissue testing services have declined with the implementation of the resource based relative value scale ("RBRVS") system which went into effect on January 1, 1992. This program will continue to reduce prices for such services through 1996, when RBRVS will be fully implemented. The Company has offset a substantial portion of the impact of these price decreases through the achievement of economies of scale and other strategies such as more favorable purchase contracts and the introduction of alternative technologies. Management expects that the impact on gross profits in the next quarter from any such price declines or adverse reimbursement determinations will be mitigated by similar steps.

- **Selling, General and Administrative Expenses**

Selling, general and administrative expenses were $3.3 million during the first quarter of 1992, an increase of $556,000 or 20% from the first quarter of 1991. This increase was primarily the result of a $407,000 increase in selling expenses due to an increase in the existing domestic sales personnel from 67 in the first quarter of 1991 *to 84 in the first quarter of 1992.* As a percentage of net revenues, selling, general and administrative expenses decreased to 40.7% in the first quarter of 1992 from 46.4% in the first quarter of 1991.

- **Research and Development**

Research and development expenses include the costs of building the Company's database and the review and analysis of existing and new technologies. Research and development expenses were $713,000 in the first quarter of 1992, an increase of approximately $183,000 or 34% from the first quarter of 1991. This increase is primarily due to investigating and developing new offerings for the tissue testing services.

- **International Operating Expenses, Net**

International operating expenses assumed by the Company, net of international sales of $185,000 and net of minority interest in losses of the German operations of $350,000, were $336,000 during the first quarter of 1992, an increase of approximately $50,000 or 18% from the first quarter of 1991. Total international losses were $686,000 during the first quarter of 1992, an increase of approximately $280,000 or 69% from the first quarter of 1991. The increase in total international losses is the result of the expansion of the Company's international operations and selling capacity. During 1991, the Company's European operations expanded from the German office location, established in 1988, to office locations in Paris, France and Amsterdam, the Netherlands, as well as other European countries. The Company has established a laboratory in Amsterdam and hired two technicians to support the laboratory operations. In addition, the number of international personnel has increased from 6 in the first quarter of 1991 to 12 in the first quarter of 1992. The Company's international operations efforts continue to concentrate primarily on selling the Company's Forcyte® tissue testing services and conducting testing for clinical trial programs.

- **Interest Income**

Dianon's interest income was approximately $81,000 for the first quarter of 1992, an increase of $27,000 or 51.4% from the first quarter of 1991. During the first quarter of 1992 interest income was earned on time deposits of the Company's cash and cash equivalents, as well as from interest income from a mutual fund in which approximately $5.3 million in proceeds from the public offering was invested.

- **Interest Expense**

Interest expense was approximately $13,000 for the first quarter of 1992, a decrease of $17,000 or 58% from the first quarter of 1991. This decrease was the result of a reduction in the prime lending rate, as well as the Company retiring approximately $1.6 million in bank loans with the proceeds from the public offering received in August of 1991. The effects on interest expense during the first quarter of 1992 of the reduction in prime rate and the retirement of outstanding bank loans were offset by additional interest expense associated with capital leases entered into during May, 1991.

- **Provision for Income Taxes**

Provision for income tax expense was $260,000 for the first three months of 1992, representing an increase of approximately $233,000 from the first three months of 1991. The effective tax rate was 43.6% during the first three months of 1992 compared to 9.7% for the comparable period of 1991. The increase in the effective tax rate during the first quarter of 1992 was due to the exhaustion of net operating loss carryforwards in the second half of 1991.

- **Net Income**

As a result of the foregoing, the first quarter of 1992 net income increased approximately $85,000 or 34% from the first quarter of 1991.

Liquidity and Capital Resources

As of March 31, 1992, the Company had total cash and cash equivalents of $8.3 million, of which $6.5 million was invested in either certificates of deposit with maturities of less than three months or a mutual fund. Of the total cash and cash equivalents, $7.5 million was held by the Company and $.8 million was held by the DSI/LC Limited Partnership, of which the Company is the Managing General Partner and a Class B Limited Partner.

As of March 31, 1992 and December 31, 1991, the Company had working capital of $13 million and at March 31, 1992 the working capital ratio was 4.3 to 1 compared to 4.2 to 1 at December 31, 1991.

Domestic trade receivable, net, was $6.5 million as of March 31, 1992, an increase of $390,000 or 6% from December 31, 1991. During the first quarter of 1992, the average number of days sales in domestic trade receivables was approximately 72 compared to 66 days during all of 1991. This increase was attributable to first quarter 1992 sales of certain tissue testing services related to DNA analysis, for which Medicare has delayed reimbursement. Reimbursement was delayed for these pathology services pending clarification by Medicare of the RBRVS payment methodology, published November 25, 1991. The reimbursement rates have subsequently been corrected by Medicare and the Company is in the process of resubmitting these tissue testing services for the correct reimbursement amounts.

Capital expenditures during the first quarter of 1992 were approximately $300,000. In addition to expenditures for appropriate replacements in the normal course of operations, approximately $131,000 of expenditures were incurred to purchase computer hardware to support planned computer processing needs.

During the first quarter of 1992, there were no changes in the Company's existing debt agreements and the Company had no outstanding bank loans as of March 31, 1992.

The Company believes that cash flows from operations and available cash and cash equivalents are adequate to fund the Company's operations for the foreseeable future.

PART II OTHER INFORMATION

Item 1	Legal Proceedings	Not Applicable
Item 2	Changes in Securities	Not Applicable
Item 3	Defaults Upon Senior Securities	Not Applicable
Item 4	Submission of Matters to a Vote of Security Holders	Not Applicable
Item 5	Other Information	Not Applicable

Item 6 Exhibits and Reports on Form 8-K

a Exhibits

(2) Not Applicable

(4) Not Applicable

(11) Statement regarding computation of per share earnings is not required because the relevant computation can be determined from the material contained in the Financial Statements included herein.

(15) Not Applicable

(18) Not Applicable

(19) Not Applicable

(20) Not Applicable

(23) Not Applicable

(24) Not Applicable

(25) Not Applicable

b	Reports on Form 8-K	Not Applicable

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIANON Systems, Inc.

May 13, 1992

By: Richard A. Sandberg
Chairman
Chief Executive Officer
Principal Financial Officer

May 13, 1992

John P. Davis

By: John P. Davis
Chief Operating Officer
President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From __________ to ____________

Commission File Number 1-10185

DOCUCON, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-2418590 (I.R.S. Employer Identification No.)

9100 IH-10, West, Suite 100
San Antonio, Texas 78230
(Address of principal executive offices)
(Zip code)

(512) 593-0183
(Registrant's telephone number, including

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

The number of shares of Common Stock, $.01 par value outstanding as of April 30, 1992, is 9,391,387.

DOCUCON, INCORPORATED

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PART I - FINANCIAL INFORMATION

DOCUCON, INCORPORATED

CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and temporary cash investments	$ 504,063	$ 448,603
Accounts receivable, trade-		
U.S. Government	499,521	699,200
Commercial, net	212,755	103,610
Unbilled revenues	381,813	217,293
Other receivables, net	65,767	52,470
Prepaid expenses and other, net	240,317	120,345
Total current assets	1,904,236	1,641,521
PROPERTY AND EQUIPMENT:		
Conversion systems	2,084,980	2,624,826
Furniture, fixtures and leaseholds	247,384	220,156
	2,332,364	2,844,982
Less- Accumulated depreciation	1,029,517	1,587,376
Net property and equipment	1,302,847	1,257,606
Total assets	$3,207,083	$2,899,127

See Notes to Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION

DOCUCON, INCORPORATED

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Accounts payable	$ 490,709	$ 335,000
Accrued liabilities	532,990	514,098
Current maturities of capital lease obligations	107,536	256,652
Deferred revenues	17,014	6,975
Due to related parties	7,613	7,613
Current liabilities excluding long-term capital lease obligations subject to acceleration	1,155,862	1,120,338
Principal portions of long-term capital lease obligations subject to acceleration	178,205	693,209
Total current liabilities	1,334,067	1,813,547
CAPITAL LEASE OBLIGATIONS, less current maturities	58,103	64,308
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock $1.00 par value, 30,000,000 shares authorized-		
Series A (11.0 percent cumulative and convertible), 60 shares authorized; 46 shares outstanding as of March 31, 1992, and December 31, 1991	46	46
Common stock, $.01 par value, 20,000,000 shares authorized; 9,391,387 shares issued and outstanding as of March 31, 1992, and 8,919,813 shares issued and outstanding as of December 31, 1991	93,914	89,198
Additional paid-in capital	7,818,260	7,386,054
Accumulated deficit	(6,097,307)	(6,454,026)
Total stockholders' equity	1,814,913	1,021,272
Total liabilities and stockholders' equity	$ 3,207,083	$ 2,899,127

See Notes to Consolidated Financial Statements.

DOCUCON, INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31	
	1992	1991
OPERATING REVENUES	$1,665,644	$ 696,996
COSTS AND EXPENSES:		
Production	918,400	520,661
Research and development	20,491	38,829
General and administrative	258,685	177,838
Marketing	205,083	105,412
Depreciation and amortization	178,860	168,497
	1,581,519	1,011,237
OPERATING INCOME (LOSS)	84,125	(314,241)
OTHER INCOME (EXPENSE):		
Interest expense, net	44,087	37,137
Gain on lease retirement	316,681	-
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	356,719	(351,378)
INCOME TAX EXPENSE	121,000	-
NET INCOME BEFORE EXTRAORDINARY ITEM	235,719	(351,378)
EXTRAORDINARY ITEM:		
Utilization of tax loss carryforward	121,000	-
NET INCOME	356,719	(351,378)
DIVIDENDS ON PREFERRED STOCK	31,625	31,625
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 325,094	$ (383,003)
PRIMARY EARNINGS (LOSS) PER COMMON SHARE AND COMMON SHARE EQUIVALENTS:		
Income before extraordinary item	$.02	$(.05)
Extraordinary item, utilization of tax loss carryforward	.01	-
Total	$.03	$(.05)
WEIGHTED AVERAGE COMMON SHARES AND COMMON SHARE EQUIVALENTS	12,356,753	7,011,629

See Notes to Consolidated Financial Statements.

DOCUCON, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 356,719	$(351,378)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities-		
Depreciation and amortization	178,860	168,497
Gain on lease retirement	(316,681)	-
Changes in current assets and current liabilities-		
(Increase) decrease in receivables	(87,283)	293,888
(Increase) decrease in prepaid expenses and other	(137,659)	12,616
Increase (decrease) in accounts payable and accrued liabilities	300,202	(32,254)
Increase in deferred revenues	10,039	43,890
Total adjustments	(52,522)	486,637
Net cash provided by operating activities	304,197	135,259
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(393,008)	(26,808)
Sale of fixed assets	-	6,655
Redemption of short-term investments	-	145,985
Net cash provided (used) by investing activities	(393,008)	125,832
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments under capital lease obligations	(104,539)	(157,490)
Net proceeds from warrant conversion	196,760	-
Net proceeds from exercise of stock options	52,050	-
Net cash provided (used) by financing activities	144,271	(157,490)

DOCUCON, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

	Three Months Ended March 31	
	1992	1991
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	$ 55,460	$ 103,601
CASH AND TEMPORARY CASH INVESTMENTS, beginning of period	448,603	25,178
CASH AND TEMPORARY CASH INVESTMENTS, end of period	$ 504,063	$ 128,779
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,938	$ 26,246

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:
In connection with the settlement of a capital lease obligation, the Company paid $100,000, issued 79,200 shares of common stock and 120,800 stock warrants and returned equipment with a net book value of approximately $188,000 in exchange for the settlement of approximately $815,000 of liabilities.

DISCLOSURE OF ACCOUNTING POLICY:
The Company considers funds invested in highly liquid investments having a maturity of 90 days or less to be temporary cash investments.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

The financial statements included herein have been prepared by Docucon, Incorporated and subsidiary (collectively referred to as the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. However, all adjustments have been made which are, in the opinion of the Company, necessary for a fair presentation of the results of operations for the periods covered. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In prior years, the Company was in the development stage as it had not generated significant revenues, and its efforts were devoted primarily to the development of its sales market, raising capital and design of its conversion equipment. It is recommended that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

NOTE 2

Organization and description of the Company-

Docucon, Incorporated, was incorporated in June 1986 to engage in the business of providing technical services to its customers for the conversion of paper and microform documents to a computer accessible media. Paper or microform documents are scanned by sophisticated computer equipment and stored and indexed on optical disks or magnetic media.

NOTE 3

Summary of significant accounting policies-

Property and equipment-

Property and equipment are recorded at original cost or the present value of the capital lease payments for assets under capital lease arrangements. Maintenance and repairs are charged to expense as incurred and betterments which increase the value or extend the useful life of the property are capitalized.

Depreciation is provided using the straight-line method over the capital lease term of the related assets or over the useful lives for purchased assets. The Company's assets are currently depreciated over periods ranging from three to five years beginning in the month the property is placed in service.

Revenue recognition-

Revenues from conversion service contracts are recognized at the time services are provided and are based upon the number of documents converted and the conversion rates established in the contracts.

NOTE 4

Common stock and preferred stock-

In May 1989, the Company completed an initial public offering which resulted in the sale of 848,675 units. Each unit consisted of four shares of Common Stock, $.01 par value, of the Company and four Redeemable Class A Common Stock Purchase Warrants (Class A Warrants). The Class A Warrants were immediately separable from the Common Stock and immediately exercisable. Each Class A Warrant entitled the holder to purchase at any time prior to May 9, 1994, at a price of $1.00, one share of Common Stock and one Redeemable Class B Common Stock Purchase Warrant (Class B Warrant). Each Class B Warrant entitles the holder to purchase at any time after issuance and prior to May 9, 1994, at a price of $1.50, one share of Common Stock. The Class B Warrants may be redeemed by the Company at a price of $.05 per warrant at any time after one year from the date of the Prospectus on 30 days' prior written notice if the average closing bid price of the Common Stock during a period of 30 consecutive trading days ending within 15 days prior to the date on which notice of redemption is given is at least $2.25 per share.

In 1990, the Company issued 46 shares of Series A Preferred Stock at $25,000 per share resulting in net proceeds of approximately $659,000 and the forgiveness of approximately $325,000 of debt. Each share is convertible into 33,333 shares of Common Stock and earns cash dividends of 11 percent per annum. As of March 31, 1992, cumulative undeclared dividends on the Preferred Stock approximated $203,000.

In June 1991, the Company exercised its right to redeem the unexercised Class A Warrants for $.05 per warrant, and on October 14, 1991, the Company filed Post-Effective Amendment No. 2 to its Form S-1 which deregistered any unexercised or redeemed Class A Warrants and all the rights underlying them.

Prior to the Company's initial public offering, 1,800,000 shares of the Company's Common Stock were placed in escrow and were to be released if certain income levels or stock price levels were achieved. In August 1991, the owners of the escrow shares agreed to retire 75 percent (1,350,000) of those shares and amended the performance requirements for the remaining 25 percent (450,000 shares). The remaining shares were released from escrow as the Company attained net income in excess of $100,000 in the first quarter of 1992.

During the first three months of 1992, the Company received net proceeds of approximately $197,000 from Class B Warrantholders who converted their warrants into Common Stock. Additionally, subsequent to March 31, 1992, the Company received approximately $138,000 from the exercise of unit purchase options which were granted to investors for financing provided prior to the Company's initial public offering.

NOTE 5

Lease retirement-

The assignee and owner (Assignee) of approximately 73 percent of the capital lease agreement under which the Company has experienced an event of default delivered notice of acceleration and public sale to the original lessor on February 7, 1992, and completed foreclosure proceedings on the scheduled equipment.

On March 31, 1992, the Company entered into a settlement agreement with the Assignee. Pursuant to the terms of the settlement agreement, the Company paid the Assignee $100,000 and issued 79,200 shares of Common Stock and a warrant for the purchase of 120,800 shares of Common Stock at $2.50 per share.

The Company realized a gain of approximately $316,000 due to the forgiveness of capital lease indebtedness and accrued interest of approximately $668,000 and $146,000, respectively. The leased equipment had a net book value of approximately $188,000 at March 31, 1992.

The Company retained possession of the equipment and entered into a Remarketing Agreement with the Assignee, engaging the Company as Agent to market the equipment until July 31, 1992. The Company is to store, insure and maintain the equipment at its own expense and is to receive as compensation 3 percent of the first $50,000 in net proceeds and 5 percent of net proceeds exceeding $50,000.

DOCUCON, INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Company is in the business of providing technical services to its customers for the conversion of paper and microform documents to a computer accessible media. The Company has primarily devoted its efforts to the design, acquisition and integration of conversion equipment, application of that equipment to its customers' requirements, raising capital, planning and developing its sales market.

Because the Company's operations have developed and expanded since inception, the results of operations for the periods ended March 31, 1992 and 1991, vary significantly.

Revenue increased approximately 139 percent for the quarter ended March 31, 1992, as compared to the same period in 1991, primarily as a result of increased government work performed under the 1987 Navy Publishing and Printing Services (NPPS) contract and initial orders under the 1991 NPPS contract.

Production costs for the first quarter of 1992 increased approximately 76 percent compared to the same period of 1991. This increase in costs is related to the hiring of additional personnel to handle increased operations as well as start-up costs incurred under the Texaco Exploration and Production, Inc., contract. However, production costs represented a smaller percentage of revenues in the first quarter of 1992 as compared to the comparable period in 1991 as the Company has concentrated on the improvement of operating margins and focused its engineering efforts on production. Accordingly, research and development costs decreased for the three months ended March 31, 1992, as compared to the same period in 1991.

General and administrative expenses for the first quarter of 1992 increased as compared to the same period primarily as a result of increased travel expenses and salaries pursuant to a management bonus plan.

Marketing expenses increased for the first quarter of 1992 compared to the first quarter of 1991 due to increased marketing efforts and greater commission expenses resulting from increased revenues.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company's operations have been supplemented through bank borrowings, capital contributions, borrowings from affiliated and unaffiliated lenders, capital lease agreements, an initial public offering of the Company's Common Stock on May 9, 1989, the conversion of warrants into Common Stock and preferred stock placements.

During the first three months of 1992, approximately 130,000 Class B Warrants were exercised resulting in proceeds of approximately $196,000. Subsequent to March 31, 1992, approximately $150,000 was received from the conversion of 100,000 Class B Warrants. Presently, all requirements enabling the Company to redeem its outstanding Class B Warrants have been achieved. Additionally, as of May 11, the Company had received $138,000 in proceeds from the exercise of unit purchase options which were issued to interim lenders pursuant to the Company's initial public offering.

As described in Note 5 of "Notes to Consolidated Financial Statements," contained elsewhere in this report, the Company was in default on a capital lease obligation having an outstanding balance of $936,575 at December 31, 1991. The assignee of a 73 percent interest in such capital lease (the assignee) delivered notice of acceleration of such obligation on February 7, 1992, and foreclosed on the equipment. On March 31, 1992, the Company entered into a settlement agreement with the assignee, pursuant to which the Company paid the assignee $100,000 and issued to the assignee 79,200 shares of Common Stock and a warrant to purchase 120,800 shares of Common Stock at $2.50 per share. The Company realized a gain of approximately $316,000 in connection with this transaction, including forgiveness of capital lease indebtedness and accrued interest of approximately $667,000 and $146,000, respectively.

Under the settlement agreement, the Company retained possession of the equipment and entered into a remarketing agreement with the assignee, pursuant to which the assignee engaged the Company to market the equipment until July 31, 1992. Under the remarketing agreement, the Company is to store, insure and maintain the equipment at its own expense and is to receive as compensation 3 percent of the first $50,000 in net proceeds from sale of the equipment and 5 percent of all net proceeds in excess of $50,000.

On May 9, 1991, the Company received notice of award of the 1991 NPPS contract. The award enables Docucon to provide up to $12.3 million of conversion services as directed by NPPS. This new contract gives the Company a reasonable expectation, but no assurance, of receiving orders for conversion services from DOD until May 1994. In addition, the 1991 NPPS contract gives the Company the opportunity to develop its Standardized General Markup Language (SGML) capability. The Company expects to devote significant marketing and engineering efforts to SGML work in the future.

During the first quarter of 1992, the Company established its conversion center in New Orleans for Texaco Exploration and Production, Inc. This was a significant milestone toward the realization of the revenue and profit benefits of this $4 million contract.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company has also made progress with its strategic marketing partnership with a major reprographics company. While this relationship has not been contractually established, significant co-marketing activity has occurred. Senior management of the Company is also devoting substantial efforts to develop additional strategic relationships to assist the Company in expanding its marketing and technology bases. The Company is hopeful that one or more such strategic alliances will be announced during 1992. In addition, the Company has added direct sales capability in the southeast.

The Company expects to fund the operations and marketing activities described above through utilization of cash on hand and cash generated from operations in 1992. While the Company may consider and evaluate, from time to time, acquisitions and opportunities for future growth, the Company has not entered into any agreements with respect to future acquisitions. Should the Company enter into any such agreements, the Company would, in all likelihood, be required to raise outside capital to consummate such transactions.

Inflation in recent years has not had a significant effect on the Company's business and is not expected to adversely affect the Company in the future unless it increases significantly.

OUTLOOK

Now that the Company has attained several of the objectives outlined in prior reports, it is focusing on operating issues to improve margins and increase revenues, the most important of which are:

- Continuing improvement of the operating efficiency of the Texaco New Orleans conversion facility.
- Establishment of the Texaco Denver conversion facility.
- Achieving efficient operation of the SGML tagging conversion line.
- Continued development and expansion of the recently formed marketing relationship with a major firm which provides reprographic and other services to the legal market.
- Development of the recently opened Atlanta sales office.
- Introduction of the new litigation support software product.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company, together with two of its employees, has been named in a lawsuit which alleges that the Company, through the employees, appropriated trade secrets of the plaintiff and that the Company induced the employees to leave the employ of the plaintiff. The lawsuit also alleges that the defendants conspired with each other and engaged in fraud with respect to the plaintiff. The plaintiff seeks to impress a constructive trust on all profits made by the Company from clients which the Company allegedly stole from the plaintiff. The plaintiff also seeks monetary damages in the amount of $1,000,000 and punitive damages in the amount of $5,000,000. The Company's management does not expect the outcome of this litigation to have a material adverse effect on the Company's financial position.

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

On May 7, 1992, the annual meeting of stockholders of Docucon, Incorporated, was held, at which time the actions described below were taken. References to "Common Stock equivalents" refer to the votes cast with respect to shares of the Corporation's Series A Convertible Preferred Stock, each of which votes as 33,333 shares of Common Stock.

1. The shares of the Common Stock and Common Stock equivalents were voted on the election referred to in Paragraph 3 above as follows:

	Number Voting	For	Withhold
Edward P. Gistaro	8,863,859	8,858,859	5,000
William K. Mackey	8,863,859	8,858,859	5,000
Allan H. Hobgood	8,863,859	8,858,859	5,000
Ralph Brown	8,863,859	8,858,859	5,000
Philip J. Romano	8,863,859	8,858,859	5,000
James J. Mulholland	8,863,859	8,858,859	5,000
William G. Moore, Jr.	8,863,859	8,858,859	5,000

2. The shares of the Common Stock and Common Stock equivalents were voted on the approval of the Amendment to the Certificate of Incorporation to increase the authorized Common Stock of the Corporation to 25,000,000 shares of Common Stock as follows:

Number Voting	For	Against	Abstain
8,868,559	8,767,237	79,432	21,890

3. The shares of the Common Stock and Common Stock equivalents were voted on the approval of the Amendment to the Certificate of Incorporation to decrease the authorized Preferred Stock of the Corporation to 10,000,000 shares of Preferred Stock as follows:

Number Voting	For	Against	Abstain
8,677,022	8,616,982	55,540	4,500

4. The shares of the Common Stock and Common Stock equivalents were voted on the approval of the Amendment to the 1988 Stock Option Plan of the Corporation to increase the number of shares of Common Stock covered thereby to 960,000 as follows:

Number Voting	For	Against	Abstain
8,681,222	8,521,049	151,023	9,150

5. The shares of Common Stock and Common Stock equivalents were voted on the approval of the 1991 Employees Non-Statutory Plan of the Corporation as follows:

Number Voting	For	Against	Abstain
8,743,123	8,535,283	194,840	13,000

6. The shares of the Common Stock and Common Stock equivalents were voted on the approval of the 1991 Stock Director Non-Statutory Option Plan of the Corporation as follows:

Number Voting	For	Against	Abstain
8,681,022	8,457,732	212,290	11,000

Item 5. Other Matters - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11 - Computation of Earnings Per Share

(b) Reports on Form 8-K - None

PART II - OTHER INFORMATION (Continued)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOCUCON, INCORPORATED
(Registrant)

By Gistaro
Edward P. Gistaro,
Chief Executive Officer
and Principal Financial
Officer

By Lori Turner
Lori Turner,
Controller and Treasurer

Dated: May 14, 1992

EXHIBIT 11

DOCUCON, INCORPORATED

COMPUTATION OF EARNINGS PER SHARE

(Unaudited)

	Three Months Ended March 31	
	1992	1991(b)
COMPUTATION OF PRIMARY EARNINGS PER SHARE:		
Net income before extraordinary item	$ 235,719	$ N/A
Less- Preferred stock dividend requirements	(31,625)	
	204,094	
Increase in income as a result of the decreased interest expense and increased interest income upon assumed conversion of warrants and options	58,519	
Net income before extraordinary item	262,613	
Extraordinary item, tax loss carryforward	121,000	
Net income applicable to common stockholders used for computation	$ 383,613	
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	8,786,694	
WEIGHTED AVERAGE INCREMENTAL SHARES OUTSTANDING UPON ASSUMED CONVERSION OF OPTIONS AND WARRANTS	3,570,059	
WEIGHTED AVERAGE COMMON SHARES AND COMMON SHARE EQUIVALENTS USED FOR COMPUTATION	12,356,753	
PRIMARY EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT:		
Income before extraordinary item	$.02	
Extraordinary item, tax loss carryforward	.01	
Total	$.03	$ N/A

EXHIBIT 11
(Continued)

DOCUCON, INCORPORATED

COMPUTATION OF EARNINGS PER SHARE (Continued)

(Unaudited)

	Three Months Ended March 31	
	1992	1991(b)
COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE:		
Net income before extraordinary item	$ 235,719	$ N/A
Preferred stock dividend requirements	(31,625)	
Increase in net income applicable to common stock for-		
Preferred stock dividends not incurred upon assumed conversion of preferred stock	31,625	
Increase in income as a result of the decreased interest expense and increased interest income upon assumed conversion of warrants and options	58,519	
Net income before extraordinary item	294,238	
Extraordinary item, tax loss carryforward	121,000	
Net income applicable to common stockholders used for computation	$ 415,238	
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	8,786,694	
WEIGHTED AVERAGE INCREMENTAL SHARES OUTSTANDING UPON ASSUMED CONVERSION OF OPTIONS AND WARRANTS	3,570,059	
WEIGHTED AVERAGE INCREMENTAL SHARES OUTSTANDING UPON ASSUMED CONVERSION OF THE PREFERRED STOCK	1,533,318	
WEIGHTED AVERAGE SHARES USED FOR COMPUTATION	13,890,071	
EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT ASSUMING FULL DILUTION (a):		
Income before extraordinary item	$.02	
Extraordinary item, tax loss carryforward	.01	
Total	$.03	$ N/A

(a) This calculation is submitted in accordance with Paragraph 601(b)(11) of Regulation S-K although it is not required by APB Opinion No. 15 because it results in dilution of less than 3 percent.

(b) The calculation is not applicable to 1991 due to the losses incurred by the Company and the resultant antidilutive amounts.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 13(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-5181

ELCO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	36-1033080
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

1111 SAMUELSON ROAD, P.O. BOX 7009, ROCKFORD, ILLINOIS 61125
(Address of principal executive offices and zip code)

(815) 397-5151
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

4,901,962 Common Shares, $5 Par Value as of May 13, 1992

This report contains a total of 18 pages.

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PART I. FINANCIAL INFORMATION

The condensed financial statements reflect all adjustments, consisting of normal recurring accruals, which the Company considers necessary for a fair presentation of the results for the indicated periods.

Incorporated herein is the following unaudited (except for the Consolidated Condensed Balance Sheet as of June 30, 1991, which is audited) financial information:

Consolidated Condensed Balance Sheets as of March 31, 1992 and June 30, 1991.

Consolidated Condensed Income Statements for the three-month and nine-month periods ended March 31, 1992 and 1991.

Statements of Consolidated Cash Flows for the nine-month periods ended March 31, 1992 and 1991.

Notes to Consolidated Condensed Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollars in thousands)

ELCO INDUSTRIES, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS, MARCH 31, 1992 AND JUNE 30, 1991

ASSETS		March 31 (Unaudited)	June 30 (Audited)
Current Assets	Cash and cash equivalents	$561	$4,322
	Accounts receivable - less allowances (March 31, $428; June 30, $307)	26,298	24,067
	Inventories	24,718	22,618
	Refundable income taxes	574	
	Deferred taxes on income	1,179	1,138
	Prepaid expenses	612	398
	Other current assets	2	96
	Total current assets	54,114	52,517
Property, Plant and Equipment	Land	418	418
	Land and leasehold improvements	2,879	2,981
	Buildings and building equipment	22,801	22,136
	Machinery and equipment	101,043	95,636
	Furniture and office equipment	7,250	6,630
	Construction in progress	1,172	1,104
	Total	135,614	128,801
	Less accumulated depreciation and amortization	67,717	62,566
	Property, plant and equipment - net	67,897	66,235
Construction/Project Funds Held in Trust		3,308	4,379
Intangibles, net		12,137	12,566
Investment in and Advances to Unconsolidated Affiliate		1,793	2,267
Other Assets		5,422	6,665
TOTAL		$144,872	$147,966

See Notes To Consolidated Condensed Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY		March 31 (Unaudited)	June 30 (Audited)
Current Liabilities	Accounts payable-trade creditors	$10,033	$9,731
	Current maturities of long-term obligations	2,457	2,509
	Bank notes payable	2,900	
	Accrued liabilities:		
	Salaries, wages and commissions	2,127	1,712
	Compensated absences	2,836	1,763
	Income taxes		922
	Other taxes	1,026	937
	Retirement plans	802	656
	Interest	1,454	1,175
	Other	2,423	2,316
	Total current liabilities	25,962	21,723
Long-Term Debt		50,677	52,875
Long-Term Lease Obligations		488	732
Commitments and Contingencies			
Deferred Taxes on Income		6,700	8,523
Other Deferred Liabilities		3,812	1,626
Stockholders' Equity	Capital stock:		
	Preferred - Authorized, 250,000 shares at $1 par value, issued and outstanding - none		
	Common - Authorized, 20,000,000 shares at $5 par value, issued March 31 4,907,043 and June 30 4,857,102 shares:	24,535	24,285
	Additional paid-in capital	7,225	6,897
	Retained earnings	25,553	31,181
	Total	57,313	62,363
	Less common stock in treasury at cost-March 31, 5,081 shares, June 30, 6,350 shares	61	76
		57,252	62,287
TOTAL		$144,872	$147,966

ELCO INDUSTRIES, INC.
CONSOLIDATED CONDENSED INCOME STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED MARCH 31, 1992 AND 1991

(Dollars in thousands except per share amounts)

	For The Three Months Ended		For The Nine Months Ended	
	3/31/92	3/31/91	3/31/92	3/31/91
Net sales	$47,893	$36,094	$139,570	$113,863
Cost of products sold	40,502	30,322	116,211	94,812
Gross profit	7,391	5,772	23,359	19,051
Selling and administrative expenses	5,498	5,164	17,526	15,597
Income from operations	1,893	608	5,833	3,454
Interest expense	1,154	876	3,604	2,412
Interest income	49	171	228	622
Non-operating expenses	5,091	260	5,091	260
Income (loss) before provision (benefit) for taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting	(4,303)	(357)	(2,634)	1,404
Provision (benefit) for taxes on income				
Current:				
Federal	(477)	(196)	139	171
State	(70)	5	103	154
Deferred	(937)	94	(1,009)	300
Total provision (benefit) for taxes on income	(1,484)	(97)	(767)	625
Income (loss) before equity in loss of unconsolidated affiliate and cumulative effect of change in accounting	(2,819)	(260)	(1,867)	779
Equity in loss of unconsolidated affiliate	(80)	(402)	(509)	(1,051)
Cumulative effect of change in accounting			(1,355)	
Net income (loss)	$(2,899)	$ (662)	$ (3,731)	$ (272)
Net income (loss) per common share	$ (.59)	$ (.14)	$ (.77)	$ (.06)
Dividends per common share	$ .13	$ .13	$ .39	$ .39
Weighted average number of shares outstanding	4,878,391	4,850,749	4,863,783	4,849,900

See Notes to Consolidated Condensed Financial Statements
Unaudited

ELCO INDUSTRIES, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 1992 AND 1991

(Dollars in thousands)	1992	1991
Cash flows from operating activities:		
Net loss	$(3,731)	$ (272)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	6,513	6,063
Amortization of intangibles	449	111
Loss (gain) on retirement and disposal of property, plant and equipment	56	(2)
Provision for loss on installment notes receivable	5,091	
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(2,211)	1,198
Increase in inventories	(1,902)	(1,570)
Increase in prepaid expenses	(414)	(132)
Increase in other current assets	(563)	(226)
Increase (decrease) in accounts payable	302	(3,261)
Decrease in accrued liabilities	789	(1,093)
Increase (decrease) in deferred income taxes	(1,861)	300
Increase in other deferred liabilities	2,286	77
ESOP contribution from common and treasury shares	401	
Other	297	(403)
Net cash provided by operating activities	5,502	790
Cash flows from investing activities:		
Additions to property, plant and equipment	(8,567)	(9,539)
Proceeds from retirement and disposal of property, plant and equipment	333	9
Increase in installment note receivable	(660)	(336)
Payments received on installment note receivable		500
Decrease in construction/project funds held in trust	870	2,558
Decrease (increase) in investment in and advances to unconsolidated affiliate	474	(101)
Net cash required for investing activities	(7,550)	(6,909)
Cash flows from financing activities:		
Payments on long-term debt	(2,119)	(3,117)
Payments on long-term lease obligations	(297)	(297)
Increase in bank notes payable	2,900	10.500
Dividends paid	(1,897)	(1,892)
Net cash provided by (required for) financing activities	(1,413)	5,194
Net decrease in cash and cash equivalents	(3,461)	(925)
Cash and cash equivalents at beginning of period	4,022	1,146
Cash and cash equivalents at end of period	$ 561	$ 221
Cash paid for: Interest	$ 3,406	$ 3,093
Income taxes	$ 1,736	$ 1,222

See Notes to Consolidated Condensed Financial Statements

Unaudited

ELCO INDUSTRIES, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands except per share amounts)

1. ACCOUNTING POLICIES

The consolidated condensed balance sheet as of March 31, 1992, the consolidated condensed income statements for the three month and nine month periods ended March 31, 1992 and 1991, and the statements of consolidated cash flows for the nine month periods ended March 31, 1992 and 1991 have been prepared by the Company without audit. The June 30, 1991 consolidated condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's June 30, 1991 annual report to stockholders. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

2. INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for approximately 62% and 51% of the Company's inventories at March 31, 1992 and June 30, 1991, respectively, and by the first-in, first-out (FIFO) method for all other inventories. The inventories are summarized as follows:

	March 31 1992	June 30 1991
Raw materials and supplies	$11,962	$11,731
Work in process	8,108	7,609
Finished goods	12,660	11,389
	32,730	30,729
Less LIFO reserve	(8,012)	(7,913)
Total	$24,718	$22,816

The replacement cost of inventories at March 31, 1992 and June 30, 1991 approximates FIFO value.

3. LONG-TERM DEBT

The Company must meet certain restrictive debt covenants. The primary covenants include maintaining a consolidated tangible net worth ("net worth"), as defined in the agreements, and limiting dividends. The dividend limitation includes a base amount and increases for one-half of net income. Considering both the net worth and dividend covenants, $115 of retained earnings was available to the Company for cash dividends as of March 31, 1992. The agreement includes a change in control provision which may result in a prepayment penalty and all unpaid principal and interest due immediately.

4. SHORT-TERM LINES OF CREDIT

At March 31, 1992, the Company had bank lines of credit permitting borrowing up to an aggregate of $20,500 at the banks' corporate base rate or a fixed rate (at the option of the Company) as defined in the agreements. The lines require no compensating balances or commitment fee. The lines, generally reviewed annually for renewal, are subject to the usual terms and conditions applied by the banks. At March 31, 1992, $2,900 of the lines were used.

5. TAXES ON INCOME

The effective tax rates for the quarters ended March 31, 1992 and 1991 were 34.5% and 27.2%, respectively. The effective tax rate for the nine-month periods ended March 31, 1992 and 1991 were 29.1% and 44.5%, respectively. The change in effective tax rates reflects a change in estimated state taxable income among various states in which the Company conducts business.

6. INTEREST

The Company capitalizes interest costs relating to construction of property or equipment and amortizes such costs over the depreciable lives of the related assets. Certain information regarding this capitalization follows:

	Three Months Ended		Nine Months Ended	
	3/31/92	3/31/91	3/31/92	3/31/91
Interest costs incurred	$1,171	$895	$3,685	$2,592
Interest capitalized	17	19	81	180
Interest expensed	$1,154	$876	$3,604	$2,412

7. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

During 1992, the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" were adopted. The Statement requires companies to accrue the expected cost of providing post-retirement benefits other than pensions over the years that employees render the necessary service rather than the cash basis previously used. The projected benefit obligation of $1,355 (net of tax of $852) relating to prior service cost was recognized as a cumulative effect of accounting change as of July 1, 1991. The total cumulative effect of this accounting change was to decrease net earnings by $.28 per share.

In addition to providing pension and other supplemental benefits, the Company provides certain health care benefits for eligible retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements and contribute a portion of the cost.

The accounting for the unfunded health care plan incorporates cost-sharing changes to the existing plan that will limit the Company's contribution to a per capita amount based on age and years of service of the retiree. The Company has the right to modify or terminate these benefits.

At March 31, 1992, the Company has recorded a total post-retirement obligation of approximately $2,134 which represents the transition adjustment of $2,207 less the actual cost of retiree health benefits paid for the nine-month period ended March 31, 1992, plus interest and service costs attributed to service during the period. The Company has included $1,958 in other deferred liabilities and the balance in current liabilities. The interest and service costs required to be provided for the nine-month period ended March 31, 1992 are not significantly different than the costs incurred on a cash basis for the same period.

For measurement purposes, a 14% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1992; the rate was assumed to decrease gradually to 6% for 2051. This trend rate will impact primarily only the projection of post-retirement medical costs for those retirees who retire prior to January 1, 1993. For all other retirees, the post-retirement plan effective January 1, 1993 limits the impact that the trend rates will have on the Company's projected costs.

The expense for post-retirement health care benefits was approximately $233 and $131 for the years ended June 30, 1991 and 1990, respectively.

Net income and net income per common share for the 1st quarter of fiscal 1992 has been restated to reflect the adoption in the 3rd quarter of 1992 of SFAS No. 106 effective July 1, 1991. The accounting change had no material impact on the 2nd quarter.

	1st Quarter
Net income as originally reported	$ 928
Adoption of SFAS 106:	
Cumulative effect of adoption, net of tax	(1,355)
Effect of adoption on current year	0
Net income (loss) as restated	$ (427)
Per share	$ (.09)

8. NON-OPERATING EXPENSES

In the third quarter of 1992, the Company incurred a non-operating charge of $5,091 associated with the complete write-off of the value of a promissory note receivable related to the 1986 divestiture of Acme Rivet and Machine Corp., a former subsidiary. In addition, this charge includes a reduction in the value of real estate which also secures a promissory note receivable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

General

The Company's products are classified into three segments: industrial products, consumer products and construction products. The following tabulation sets forth the sales and income from operations of each product segment for the periods indicated and the percentage of total sales.

	Qtr Ended 3/31/92 (000's)	% Of Total	Qtr Ended 3/31/91 (000's)	% Of Total	% Change
NET SALES:					
Industrial	$33,477	70 %	$25,595	71 %	31 %
Consumer	11,718	24 %	7,677	21 %	53 %
Construction	2,698	6 %	2,822	8 %	(4)%
Consolidated Net Sales	$47,893	100 %	$36,094	100 %	33 %

	Nine Months Ended 3/31/92 (000's)	% Of Total	Nine Months Ended 3/31/91 (000's)	% Of Total	% Change
NET SALES:					
Industrial	$ 95,381	69 %	$ 79,972	70 %	19 %
Consumer	35,266	25 %	24,639	22 %	43 %
Construction	8,923	6 %	9,252	8 %	(4)%
Consolidated Net Sales	$139,570	100 %	$113,863	100 %	23 %

	Qtr Ended 3/31/92 (000's)	% Of Sales	Qtr Ended 3/31/91 (000's)	% Of Sales	% Change
INCOME FROM OPERATIONS:					
Industrial	$ 977	3 %	$ (114)	-	
Consumer	1,007	9 %	833	11 %	21 %
Construction	347	13 %	341	12 %	2 %
	2,331		1,060		
Corporate expenses	(438)		(452)		
Total Income from Operations	$1,893	4 %	$ 608	2 %	211 %

	Nine Months Ended 3/31/92 (000's)	% Of Sales	Nine Months Ended 3/31/91 (000's)	% Of Sales	% Change
INCOME FROM OPERATIONS:					
Industrial	$3,431	4 %	$ 687	1 %	399 %
Consumer	2,472	7 %	2,984	12 %	(17)%
Construction	1,194	13 %	1,106	12 %	8 %
	7,097		4,777		
Corporate expenses	(1,264)		(1,323)		
Total Income from Operations	$5,833	4 %	$ 3,454	3 %	69 %

The following table presents, for the periods indicated, certain information derived from the Consolidated Condensed Income Statements of the Company expressed as percentages of net sales and the percentage changes in the dollar amount of such items compared to the prior period.

	Percentage of Net Sales Three Months Ended March 31, 1992	 1991	Percentage Increase (Decrease) Three Months Ended March 31, 1992 over 1991
Net sales	100.0	100.0	33 %
Cost of products sold	84.6	84.0	34 %
Gross profit	15.4	16.0	28 %
Selling, general and administrative expenses	11.5	14.3	6 %
Income from operations	3.9	1.7	211 %
Interest expense	2.4	2.4	32 %
Interest income	.1	.4	(71)%
Non-operating expense	10.6	.7	1,858 %
Income (loss) before provision (benefit) for taxes and equity in loss of unconsolidated affiliate	(9.0)	(1.0)	
Provision (benefit) for taxes on income	(3.1)	(.3)	
Income (loss) before equity in loss of unconsolidated affiliate	(5.9)	(.7)	
Equity in loss of unconsolidated affiliate	(.2)	(1.1)	
Net income (loss)	(6.1)	(1.8)	

	Percentage of Net Sales Nine Months Ended March 31,		Percentage Increase (Decrease) Nine Months Ended March 31, 1992 over 1991
	1992	1991	
Net sales	100.0	100.0	23 %
Cost of products sold	83.3	83.3	23 %
Gross profit	16.7	16.7	23 %
Selling, general and administrative expenses	12.5	13.7	12 %
Income from operations	4.2	3.0	69 %
Interest expense	2.6	2.1	49 %
Interest income	.2	.5	(63)%
Non-operating expense	3.7	.2	1,858 %
Income (loss) before provision (benefit) for taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting	(1.9)	1.2	
Provision (benefit) for taxes on income	(.6)	.5	
Income (loss) before equity in loss of unconsolidated affiliate and cumulative effect of change in accounting	(1.3)	.7	
Equity in loss of unconsolidated affiliate	(.4)	(.9)	
Cumulative effect of change in accounting	(1.0)		
Net income (loss)	(2.7)	(.2)	

RESULTS OF OPERATIONS

Three Month Period Ended March 31, 1992 Compared To The Three Month Period Ended March 31, 1991.

Consolidated net sales increased 33% to $47,893,000. Sales of the industrial segment increased 31% with all operating units of this segment showing increases. Sales of the consumer segment increased 53%. About two-thirds of this increase resulted from the acquisition of Bear-Kat Products in May 1991 with the balance reflecting increased market penetration. Sales of the construction segment showed a modest decline as the commercial and industrial markets continued to be weak.

Consolidated operating income increased as a percentage of sales from 1.7% to 3.9%. The industrial segment generated income during the current quarter compared to a loss in the prior year reflecting the higher level of sales and improving efficiency levels. Operating income of the consumer segment decreased as a percentage of sales reflecting the costs of integrating the Bear-Kat operations into the Rockford facility. The construction segment's operating income percentage increased due to improved operating efficiencies associated with having its own manufacturing operation.

Net interest expense increased from $705,000 to $1,105,000 primarily due to higher levels of debt associated with the Bear-Kat acquisition in May 1991.

A non-operating charge of $5,091,000 was recorded in the current quarter. The charge was primarily due to the complete write-off of the value of a promissory note receivable related to the 1986 divestiture of Acme Rivet and Machine Corp., a former subsidiary. In addition, the charge included a substantial reduction in the value of real estate in New England which also secures a promissory note receivable. This real estate was formerly occupied by Acme and is now held for sale.

As a result of the non-operating charge discussed above, there was a loss before income taxes. A tax benefit of 34.5% in the current period compared to a tax benefit of 27.2% reflects a change in mix of state taxable income among various states in which the Company conducts business.

The Company's share of the losses of Rocknel Fastener, Inc., a 50% owned joint venture, decreased significantly reflecting Rocknel's improved sales levels and more efficient operations.

Nine Month Period Ended March 31, 1992 Compared To The Nine Month Period Ended March 31, 1991.

Consolidated net sales increased 23% to $139,570,000, led by a 43% increase in consumer segment sales primarily associated with the Bear-Kat acquisition in May 1991. Industrial segment sales increased and were affected by increasing market penetration. The construction segment showed a modest decline.

Consolidated operating income increased as a percentage of sales from 3.0% to 4.2%. The higher sales and improved operating efficiencies in the industrial segment resulted in a five fold increase in that segments operating return. That strong improvement was partially offset by a decrease in the return of the consumer segment. That decrease primarily reflected the costs associated with integrating the operations of the Bear-Kat acquisition into the Rockford facility.

Net interest expense increased from $1,790,000 to $3,376,000 primarily to the debt incurred for the Bear-Kat acquisition.

Non-operating expenses were discussed in the previous section.

In spite of the improved operating results, the non-operating charge resulted in a pre-tax loss.

Taxes in the current period were a 29.1% benefit compared to an effective tax rate expense of 44.5% in the prior year.

As operations of Rocknel Fastener, Inc., a 50% owned joint venture, have improved, the Company's share of losses has been cut in half.

The Company elected an early adoption during the third quarter of the Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Post-retirement Benefits Other Than Pensions" (SFAS 106). The adoption, effective at the beginning of the fiscal year, resulted in a one-time, non-cash charge to earnings for $1,355,000, net of a related deferred tax benefit of $852,000. As a result of adopting SFAS 106, the Company anticipates that its annual expense will be only slightly higher than the annual expense incurred on a cash basis.

LIQUIDITY AND CAPITAL RESOURCES

The following tabulation provides a summary of Changes in Consolidated Cash Flows for the periods indicated.

	Nine Months Ended March 31	
	1992	1991
	(in thousands)	
Cash provided by operations	$5,502	$ 790
Cash provided by financing activities		5,194
Total cash provided	5,502	5,984
Cash required for investment activities	(7,550)	(6,909)
Cash required for financing activities	(1,413)	
Total cash required	(8,963)	(6,909)
Cash and cash equivalents:		
Decrease for the period	(3,461)	(925)
Balance at the beginning of the period	4,022	1,146
Balance at the end of the period	$ 561	$ 221

Working capital at March 31, 1992 was $28,452,000 and the current ratio was 211%. Working capital represented 15% of annualized net sales, a level the Company considers normal.

The Company anticipates that capital expenditures will approximate $9,700,000, a level somewhat higher than depreciation.

The Company has bank lines of credit permitting borrowing up to an aggregate of $20,500,000 at rates defined in the agreements. At March 31, 1992, $2,900,000 was used. As most of the capital expenditures had been made at March 31, 1992, the Company expects to finance operations from internally generated funds and, if necessary for short-term working capital requirements, its bank lines of credit.

PART II. OTHER INFORMATION

Item 1. Legal proceedings - There have been no material developments in the legal proceedings addressed in the report on Form 10-K for June 30, 1991.

Item 2. Changes in the rights of the Company's security holders - inapplicable this quarter.

Item 3. Defaults by the Company on its senior securities - inapplicable this quarter.

Item 4. Results of votes of security holders - inapplicable this quarter.

Item 5. Other information - inapplicable this quarter.

Item 6a. Exhibits - no exhibits are required this quarter.

Item 6b. Reports on Form 8-K - no reports on Form 8-K were filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELCO INDUSTRIES, INC.

Date: May 14, 1992

John C. Lutz, President and Chief
Operating Officer

Date: May 14, 1992

August F. DeLuca

August F. DeLuca, Vice President -
Finance and Chief
Financial Officer

SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

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FORM 10 - Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

H
92-2254

For the quarter year ended	Commission File Number
March 31, 1992	0 - 17294

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EMBRACE SYSTEMS CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware	87-0416844
State or other Jurisdiction	I.R.S. Employer Identification No.

1 Embrace Park Rd. Angola, New York	14006
(Address of principal executive offices)	(Zip Code)

(716) 549-6401

(Registrant's telephone number, including area code)

Haben Industries, Inc.
14725 Arminta Street
Van Nuys, California 91402

(Former name, former address if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

At May 14, 1992, 11,471,375 shares of common stock, $.001 par value, of the Registrant were issued and outstanding.

EMBRACE SYSTEMS CORPORATION

(FORMERLY HABEN INDUSTRIES, INC.)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Item 2. Management's Discussion

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 1992	January 1, 1992
ASSETS		
Current Assets:		
Cash in Bank	$ 6,854	$ 2,774
Accounts Receivable	60,914	45,147
Inventory	96,600	96,600
Total Current:	164,368	144,521
Fixed Assets:	17,063,109	17,063,109
Other Assets:		
License Agreement	1	1
Other Assets	28,398	28,398
Intangible Assets (net)	3,764	3,240
Total Other:	32,163	31,639
Total Assets:	$ 17,259,650	$ 17,239,279
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current Portion, L - T Debt	$ 5,854,803	$ 5,854,803
Accounts Payable	1,406,093	1,472,980
Accrued Expenses	1,857,007	1,726,975
Total Current Liabilities	3,263,100	3,199,955
Long Term Liabilities	151,832	151,823
Total Liabilities	$ 3,414,923	$ 3,351,778
Minority Interest in Consolidated Subsidiary	3,596,626	3,640,446
Stockholders' Equity:		
Preferred Stock, 25,000,000 authorized, $.001 par value, 3,626,384 shares issued	3,626	3,626
Common Stock, 7,500,000 shares authorized, $.001 par value, 4,506,875 shares issued (note 3)	4,507	3,307
Capital in Excess of par value	15,450,231	14,851,431
Retained Earnings (Loss)	(11,064,448)	(10,596,948)
Total Stockholders' Equity	4,393,917	4,392,870
Total Liabilities & Equity:	$ 17,259,650	$ 17,239,279

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
Revenues:		
Sales	$ 16,724	$ 197,304
Miscellaneous Revenue	-0-	-0-
Total Revenues	16,724	197,304
Costs and Expenses		
Cost of Sales	$ 1,298	$ 104,936
General and Administrative	541,435	178,002
Depreciation	-0-	1,222
Amortization	-0-	3,239
Interest Expenses	116,764	155,479
Bad Debts	-0-	-0-
Total Costs and Expenses	$ 659,497	$ 442,878
Net Income (Loss) Before Minority Interest	$ (642,773)	$ (245,574)
Minority Interest In Earnings of Subsidiary	(43,819)	(60,379)
Net Income (Loss)	$ (598,954)	$ (185,195)
Net Loss Per Common Share After Minority Interest	$ (0.153)	$ (0.056)
Average Number of common shares outstanding (Note 3)	3,906,875	3,306,875

See accompanying notes to Consolidated Financial Statements.

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
Cash Flows from Operating Activities:		
Net loss	$ (598,954)	$ (185,195)
Adjustments to Reconcile Net loss to net cash provided By operating activites:		
Depreciation and Amortization	-0-	4,092
Decrease in Minority Interest	(43,820)	(60,379)
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	$ (15,767)	$ (7,890)
Decrease in Prepaid Expenses	-0-	1,714
Increase in Intangible Assets	(524)	(4,253)
Increase in Other Assets	-0-	18,185
Decrease in Accounts Payable	(66,887)	71
Increase in Accrued Expenses	130,032	191,955
Increase in Notes Payable	-0-	28,408
Net Cash (used in) provided by operating activities	$ (595,920)	$ (13,292)
Cash flows from Investing Activities:	-0-	-0-
Cash flows from Financing Activities:		
Increase in Common Stock	1,200	16
Increase in Premium on Common Stock	598,800	1,484
Net Cash provided by financing activities	$ 600,000	$ 1,500
Increase (Decrease) in cash	4,080	(11,792)
Cash at Beginning of Period	2,774	21,664
Cash at End of Period	$ 6,854	$ 9,872

[illegible] Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying Consolidated Statement of Financial Positions as of March 31, 1992, the Consolidated Statement of Operations and the Consolidated Statement of Cash Flows for the three month periods ended March 31, 1992 and 1992 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented. Prior period's statement has been reclassified to conform to current year's presentation.

Note 2. Earning Per Share

Net loss per share is computed based upon the weighted average number of shares outstanding of 3,906,875 and 3,306,875 for the three-month periods ended March 31, 1992 and 1991, respectively. Per share amounts presented in the financial statements do not give effect to the one for five reverse split discussed below because such split did not occur until after the quarter ended.

Note 3. Recapitalization and Name Change

On April 29, 1992, the Company effected a one for five reverse stock split of its then issued and outstanding common stock. This reverse split resulted in a total of 946,375 shares of common stock, $.001 par value, outstanding immediately prior to the acquisition of Embrace Technology Systems, Inc. Immediately subsequent to the acquisition and presently, the Company has 11,471,375 shares of common stock, $.001 par value, issued and outstanding.

After allowance for the shares of common stock reserved for issuance to the shareholders of C G & T Corporation and those reserved for issuance upon conversion and/or exercise of presently outstanding convertible securities and warrants, the Company will have a total of 12,520,175 shares of common stock, $.001 par value, outstanding.

Note 4. Stockholders' Equity

During the quarter ending March 31, 1992, the Company's stockholders' equity increased by $600,000 through the issuance of additional shares of common stock in exchange for accrued expenses and other items.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Immediately after the end of the quarter ended March 31, 1991, the Company announced the acquisition of Embrace Technology Systems, Inc., a major restructuring of its capital structure and a change in its corporate name and business focus. Reference is made to the Company's reports filed on Forms 8 and 8-K during April and May, 1992 and the discussion below should be evaluated in conjunction with these reports.

For the quarter ending March 31, 1992, the Company reported revenues of 16,724, compared with revenues of $197,304 for the quarter ending March 31, 1992. This decline in revenues represented a decrease of 91.5% and was attributable to poor sales due to general economic conditions and, of greater significance, the Company's critical lack of working capital. This severely affected the Company's ability to obtain raw materials to market its cross linkable polyethylene resins. Also during the quarter, the Company's oil terminal and refinery located in Wilmington, North Carolina was non-operational for similar reasons.

Reflecting the decrease in revenues, the cost of sales in the first quarter of 1992 was $1,298, compared with $104,936 in the comparable 1991 quarter, a decrease of 98.8%. As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, the Company has reduced its sales activity in the cross linkable resins to a per pound royalty and processing charge.

The Company's general and administrative expenses increased significantly during the quarter ending March, 1991; these expenses were $541,435, compared with $178,002 in the 1991 quarter, an increase of 204.1%. This change reflected the increased legal and administrative expenses involved in preparing for the acquisition of Embrace Technology Systems, Inc. and the related restructuring noted above.

For the quarter ending March, 1992, the Company reported a loss of $598,954 (after allowing for the minority interest in the loss of the Company's C G & T Corporation subsidiary), compared with a loss of $185,195 for the comparable 1991 quarter (also after allowing for a comparable loss attributable to the minority interest). This loss represents an increase of 223.4%. The per share loss for the quarter ending March, 1992 was $.153, compared to a loss of $.056 for the quarter ending March, 1991, an increase in the per share loss of 173.2%. The smaller percentage increase in the per share loss compared to the total loss was caused by the increase in the average number of common shares outstanding

Liquidity and Capital Resources

For the quarter, the Company continue to experience a severe shortage of adequate working capital and was actively engaged in raising additional capital and pursuing other options. This activity culminated with the acquisition of Embrace Technology Systems, Inc., noted above.

Also as reported previously, the Company's majority owned subsidiary is in default on its secured debt obligation to Pace Oil Company, a lender that holds a $5,500,000 first mortgage on its refinery located in the City of Wilmington, North Carolina on the Cape Fear River. In addition to the principal amount of the Note, the subsidiary is in arrears in accrued interest on the note in an amount in excess of $1,400,000. As reported previously, the Company has reached a preliminary understanding with Pace Oil that calls for the exchange of the Note, together with all accrued interest thereon, for a new issue of Preferred Stock with a stated value of $7,000,000, together with other consideration.

During the quarter, the Company's Board of Directors authorized the private sales of up to $250,000 of Convertible Notes with common stock purchase warrants attached. As of the end of April, 1992, this financing was completed with a limited number of qualified investors.

The Company intends to finance its future activities from funds generated from operations and future additions of capital. It is presently engaged in integrating its operations with those of its new subsidiary, Embrace Technology Systems, Inc. and preparing for the acquisition of the remaining portion of C G & T Corporation that it does not presently own.

Because of the major refocusing of its business activities as a result of Embrace Technology's organic fibrous insulation product, "Puffibre", it is not possible to adequately forecast the immediate capital requirements of the Company, except to note that they are expected to be substantial. The Company is presently reviewing its present and proposed activities and is engaged in a number of financing and joint venture discussions. No assurance can be given that any of these planning activities or negotiations will lead to any successful conclusion or outcome that will prove beneficial.

PART II. OTHER INFORMATION

PART II. OTHER INFORMATION

Item 1. Not applicable

Item 2. Changes in Securities

(a). On April 3, 1992, the Company's Board of Directors and a majority of shareholders approved a one-for-five reverse stock split of all of its outstanding common shares, $.001 par value. There was no change in the par value of the common stock as a reverse of this split and the split was effected on April 29, 1992 on a pro rata basis for all stockholders and warrantholders except that fractional shares and warrants will not be issued but instead will be redeemed for cash.

(b). Not applicable.

Item 3. Not applicable

Item 4. Submissions of Matters to a Vote of Security Holders

The reverse stock split described in Item (2) was effected by a written consent of the holders of a majority of the Company's issued and outstanding securities entitled to vote thereon. The written consent was executed by shareholders of approximately 80.6% of the total outstanding votes of all issued and outstanding classes (common and preferred) of the Company at the time.

Item 5. Other Information

Reference is made to the Company's Reports on Form 8-K filed on April 29, 1992 and May 11, 1992.

Item 6. Exhibits and Reports on Form 8-K

(a). Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter ended March 31, 1992:

Date of Filing	Item Reported
January 29, 1992	Item 3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 1992

EMBRACE SYSTEMS CORPORATION

By: J. Donald Lail

J. Donald Lail, Chief Financial
and Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION

MAY

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File No. 0-12957

ENZON, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-2372868 (IRS Employer Identification No.)
40 Cragwood Road, South Plainfield, New Jersey (Address of principal executive offices)	07080 (Zip Code)

Registrant's telephone number, including area code: (908) 668-1800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No __

The number of shares of common stock, $.01 par value, outstanding as of May 8, 1992 was 20,214,219 shares.

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PART I-FINANCIAL INFORMATION
Item 1-Financial Statements

ENZON, INC. AND SUBSIDIARIES
(A Development Stage Company)
CONSOLIDATED CONDENSED BALANCE SHEETS
June 30,1991 and March 31,1992

ASSETS

	June 30, 1991 *	March 31, 1992 (unaudited)
Current assets:		
Cash and cash equivalents	$23,681,108	$15,642,633
Short-term investments	11,479,079	16,016,318
Accounts receivable	592,545	536,635
Inventories	239,151	1,035,259
Other current assets	471,769	893,562
Total current assets	36,463,652	34,124,407
Property and equipment	6,364,670	10,742,518
Less accumulated depreciation and amortization	1,938,692	2,799,048
	4,425,978	7,943,470
Other assets:		
Investments	11,965,526	125,000
Other assets,net	1,349,974	1,515,286
Patents,net	-	2,078,674
	13,315,500	3,718,960
Total assets	$54,205,130	$45,786,837

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1991 *	March 31, 1992 (unaudited)
Current liabilities:		
Accounts payable	$1,820,890	$2,750,768
Accrued expenses	1,241,346	2,971,983
Other current liabilities due to Kodak/Sterling	1,312,829	1,312,829
Total current liabilities	4,375,065	7,035,580
Other liabilities	-	195,749
Total liabilities	4,375,065	7,231,329
Stockholders' equity:		
Preferred stock-$.01 par value, authorized 3,000,000 shares; issued and outstanding 297,000 shares at June 30, 1991 and 131,000 at March 31, 1992 (liquidating preference of $25 per share aggregating $3,275,000 at March 31, 1992)	2,970	1,310
Common stock-$.01 par value, authorized 30,000,000 shares; issued and outstanding 18,650,037 shares at June 30, 1991 and 20,213,585 shares at March 31, 1992	186,501	202,137
Common stock and warrants to be issued-Genex Acquisition	-	93,221
Additional paid-in capital	76,800,091	86,395,931
Deficit accumulated during development stage	(27,159,497)	(48,137,091)
Total stockholders' equity	49,830,065	38,555,508
Commitments and contingencies		
Total liabilities and stockholders'equity	$54,205,130	$45,786,837

* Condensed from audited financial statements

The accompanying notes are an integral part of these consolidated condensed financial statements.

ENZON, INC. AND SUBSIDIARIES

(A Development Stage Company)

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

Three and Nine Months Ended March 31,1991 and 1992 and for the
Period from September 17,1981 (date of inception) to March 31,1992
(Unaudited)

	Three months ended		Nine months ended		September 17, 1981
	March 31, 1991	March 31, 1992	March 31, 1991	March 31, 1992	(date of inception) to March 31, 1992
Revenues					
Sales	$660,246	$1,263,720	$1,305,655	$3,719,249	$10,968,599
Grants	-	-	12,461	-	637,882
Contract revenue	-	-	150,000	-	480,000
Total Revenues	660,246	1,263,720	1,468,116	3,719,249	12,086,481
Costs and Expenses					
Cost of sales	340,629	254,152	715,737	759,730	4,334,993
Research and development costs	2,408,712	3,318,226	5,931,569	9,360,719	29,761,316
Selling, general and administrative expenses	1,739,233	3,723,164	4,809,345	8,192,000	30,074,549
Purchased research and development-Genex	-	-	-	7,576,178	7,576,178
Total costs and expenses	4,488,574	7,295,542	11,456,651	25,888,627	71,747,036
Operating loss	(3,828,328)	(6,031,822)	(9,988,535)	(22,169,378)	(59,660,555)
Other income (expense)					
Interest and dividend income	307,727	506,452	1,154,188	1,779,331	6,705,720
Net loss on investments	-	-	-	-	(333,566)
Interest expense	(1,472)	(2,651)	(6,119)	(4,859)	(230,118)
Other	-	-	83	-	7,025,746
	306,255	503,801	1,148,152	1,774,472	13,167,782
Net loss	($3,522,073)	($5,528,021)	($8,840,383)	($20,394,906)	($46,492,773)
Net loss per common share	($0.26)	($0.28)	($0.73)	($1.07)	($5.34)
Weighted-average number of common shares outstanding during the period	14,269,417	20,191,156	13,579,745	19,281,819	9,112,872

The accompanying notes are an integral part of these consolidated condensed financial statements

ENZON, INC. AND SUBSIDIARIES

(A Development Stage Company)

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Nine Months Ended March 31, 1991 and 1992 and for the
Period from September 17,1981 (date of inception) to March 31 1992
(Unaudited)

	Nine months ended March 31, 1991	Nine months ended March 31 1992	September 17, 1981 (date of inception) to March 31, 1992
Cash flows from operating activities			
Net loss	($8,840,383)	($20,394,906)	($46,492,773)
Adjustment for depreciation and amortization	398,445	903,448	2,932,401
Adjustment for purchased research and development-Genex	-	7,576,178	7,576,178
Adjustment for other non-cash charges	-	-	241,322
Compensation expense issuance of stock options	343,750	-	687,500
Changes in assets and liabilities	688,453	(1,142,907)	(980,715)
Net cash used in operating activities	(7,429,735)	(13,058,187)	(36,046,087)
Cash flows from investing activities			
Acquisition of Genex Corp., net of cash acquired	-	(1,007,478)	(1,007,478)
Capital expenditures	(829,084)	(2,762,736)	(8,775,989)
Increase in short-term investments	(138,607)	(4,537,239)	(16,016,318)
(Increase) decrease in investments	(17,200)	11,840,526	(125,000)
Net cash provided by (used in) investing activities	(984,891)	3,533,073	(25,924,785)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	-	644,230	24,321,370
Proceeds from issuance of common stock	438,306	652,805	52,172,915
Liability recognized pursuant to Kodak Agreement:			
Receipt	-	-	9,000,000
Payments	(637,882)	-	(7,687,171)
Proceeds from surrender of life insurance policy	318,525	-	-
Principal payments of obligations under capital leases	(51,478)	(10,396)	(193,609)
Net cash provided by financing activities	87,475	1,486,639	77,613,505
Net increase (decrease) in cash and cash equivalents	(8,347,151)	(8,038,475)	15,642,633
Cash and cash equivalents at beginning of period	20,486,368	23,681,106	-
Cash and cash equivalents at end of period	$12,119,217	$15,642,633	$15,642,633

The accompanying notes are an integral part of these consolidated condensed financial statements

ENZON, INC. AND SUBSIDIARIES
(A Development Stage Company)
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

(1) Organization and Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared from the books and records of Enzon, Inc. and subsidiaries in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for the year.

(2) Net Loss Per Common Share

Net loss per common share is based on net loss for the relevant period, adjusted for cumulative undeclared preferred stock dividends of $1,103,245 and $358,302, respectively, for the nine months ended March 31, 1991 and 1992, and $269,247 and $68,696, respectively, for the three month periods ended March 31, 1991 and 1992 and $2,168,243 for the period from September 17, 1981 (date of inception) to March 31, 1992, divided by the weighted average number of shares issued and outstanding during the period. Stock options, warrants and common stock issuable upon conversion of the preferred stock are not reflected as their effect would be antidilutive for both primary and fully diluted earnings per share computations. The total number of shares expected to be issued to former Genex stockholders have been included in the weighted average number of outstanding shares, as if all shares had been issued on October 31, 1991, the date of acquisition.

(3) Inventories

The composition of inventories at June 30, 1991 and March 31, 1992 is as follows:

	June 30, 1991	March 31, 1992
Raw materials	$ 177,094	$ 955,042
Finished goods	62,057	80,217
	$ 239,151	$1,035,259

(4) Cash Flow Information

For purposes of cash flows, the Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. Cash payments for interest were approximately $6,000 and $4,900 for the nine months ended March 31, 1991 and 1992, respectively, and $230,000 for the period from September 17, 1981 (date of inception) to March 31, 1992. There were no income tax payments made for the period from September 17, 1981 (date of inception) to March 31, 1992. During the nine months ended March 31, 1991 and 1992, 707,400 and 188,408 shares of Series A Cumulative Convertible Preferred Stock were converted to 2,357,984 and 598,115 shares of common stock, respectively. Accrued dividends of $1,010,204 and $582,688 on the Series A Cumulative Convertible Preferred Stock that was converted, were paid by issuing 134,678 and 73,988 shares of common stock and paying cash totalling $119 and $28 for fractional shares for the nine months ended March 31, 1991 and 1992, respectively.

(5) Acquisition of Genex Corporation

On October 31, 1991, the Company completed its acquisition of all of the outstanding capital stock of Genex Corporation ("Genex"), a Maryland-based biotechnology company specializing in genetic engineering of proteins, through the merger of the Company's wholly-owned subsidiary, Enzon Acquisition Corp. with and into Genex. In connection with this merger the Company agreed to issue to former shareholders of Genex 701,299 shares of common stock which were valued at $8.875, the market value on the acquisition date, and 582,822 three year warrants to purchase common stock at an exercise price of $18 per share which were recorded at $2.02 based upon the valuation by an investment banker. The number of shares to be issued are subject to adjustment under certain circumstances. Cash will be issued for fractional interests of common stock and warrants. The Company accounted for the transaction using the purchase method of accounting and accordingly the net assets and results of operations of Genex have been included in the consolidated condensed financial statements from the date of acquisition. The total purchase price, including out of pocket expenditures, was approximately $9,109,000. The excess purchase price over the fair value of net assets acquired of $7,576,000 was expensed as purchased research and development expense. As part of the acquisition, the Company acquired patents valued at approximately $2,122,000 which will be amortized over their remaining life of 13 years.

As of March 31, 1992, 692,480 shares and 575,420 warrants had been issued to former shareholders of Genex. The remaining shares and warrants to be issued have been classified as "Common stock and warrants to be issued - Genex Acquisition" in the Unaudited Consolidated Condensed Balance Sheet.

The following pro forma financial information combines the results of operations of Genex and Enzon, Inc. and Subsidiaries for the three and nine months ended March 31, 1991 and 1992, as though Genex had been acquired on July 1, 1990.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1991	1992	1991	1992
Net revenues	$1,051,000	$1,264,000	$3,067,000	$3,961,000
Net loss	(4,662,000)	(5,528,000)	(11,625,000)	(16,090,000)
Net loss per common share	(0.27)	(0.28)	(0.72)	(0.84)

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have resulted had the purchase occurred on July 1, 1990, or results which may occur in the future. The pro forma net loss per common share gives effect to the issuance of 3,450,000 shares of common stock in April 1991 as if such shares were issued on July 1, 1990.

No adjustments have been made to the pro forma financial information to reflect the non-recurring charge for the purchased research and development - Genex of approximately $7,576,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Nine months ended March 31, 1992 vs. Nine months ended March 31, 1991

The Company's net loss for the nine months ended March 31, 1992 increased by $11,555,000 to $20,395,000 or $1.07 per share as compared to the same period in 1991. Approximately $7,576,000 of the loss is attributable to a non-recurring charge related to the completion of the Company's acquisition of Genex Corporation, ("Genex"), a Maryland-based biotechnology company specializing in genetic engineering of proteins. This charge relates to the write off of purchased research and development costs relating to Genex's in-process research and development, which is not capitalizable under generally accepted accounting principles.

Revenues for the nine months ended March 31, 1992 increased by approximately $2,251,000 or 153% as compared to the same period in 1991. Sales, which are comprised principally of the Company's Food and Drug Administration ("FDA") approved drug ADAGEN™ increased by $2,414,000 or 185% due to increased shipments and higher reimbursement levels from third party insurers. Sales of ADAGEN™ did not begin until the second quarter of 1991. The sales increase was offset in part by a reduction in contract revenue of $150,000. Contract revenues for the nine months ended March 31, 1991 related to a non-refundable payment from Schering Corp. ("Schering"), the Company's collaborative partner.

Net interest and dividend income increased by approximately $625,000 or 54% for the nine months ended March 31, 1992 as compared to the same period in 1991, due to the increase in interest bearing investments made with the proceeds from the Company's April, 1991 stock offering.

Cost of sales for the nine months ended March 31, 1992 decreased, as a percentage of sales by 34%, to 20%, when compared to the same period in 1991, due to lower levels of write offs of excess ADAGEN™ inventory. The FDA's current production requirements for ADAGEN™ continue to result in significant excess inventory. ADAGEN™ write offs for the nine months ended March 31, 1992 were lower than the same period last year due to an increase in shipments to both new and existing patients. Write offs of a similar nature are anticipated in future quarters.

Research and development expenses increased by approximately $3,429,000 or 58% for the nine months ended March 31, 1992 as compared to the same period last year as a result of increased research and development personnel and related research expenditures, clinical trial expenses and depreciation for research equipment purchased in the last year. The increase also was due to $839,000 of continued research and development at the former Genex facility for the five months subsequent to the acquisition of Genex on October 31, 1991. Research and development expense was $5,932,000 and $9,361,000 for the nine months ended March 31, 1991 and 1992, respectively.

Selling, general and administrative expenses increased by approximately $3,383,000 or 70% for the nine months ended March 31, 1992 as compared to the same period last year as a result of increased administrative personnel and related relocation costs, advertising and marketing expenditures related to pre-launch activities for PEG-L-asparaginase and Genex administrative expenses subsequent to the acquisition.

Three months ended March 31, 1992 vs. three months ended March 31, 1991

Sales, which are comprised principally of the Company's FDA approved drug ADAGEN™, increased by $587,000 or 150% due to increased shipments and higher reimbursement levels from third party insurers.

Net interest and dividend income increased by approximately $199,000 or 65% for the three months ended March 31, 1992 as compared to the same period in 1991, due to the increase in interest bearing investments made with the proceeds from the Company's stock offering.

Cost of sales, for the three months ended March 31, 1992, decreased as a percentage of sales by 32%, to 20%, when compared to the same period in 1991, due to lower levels of write offs of excess ADAGEN™ inventory for the three months ended March 31, 1992. The FDA's current production requirements for ADAGEN™ will continue to result in excess inventory. The write offs for the quarter ended March 31, 1992 were lower than the previous year due to an increase in shipments resulting in less excess inventory. Write offs of a similar nature are anticipated in future quarters.

Research and development expenses increased by approximately $910,000 or 38% for the three months ended March 31, 1992 as compared to the same period last year as a result of increased research and development personnel and related research expenditures and depreciation for research equipment purchased during the last twelve months. The increase was also due to $538,000 of continued research and development at the former Genex facility. Research and development expenditures were approximately $2,409,000 and $3,318,000 for the three months ended March 31, 1991 and 1992, respectively.

Selling, general and administrative expenses increased by approximately $1,984,000 or 114% for the three months ended March 31, 1992 as compared to the same period last year as a result of increased administrative personnel, increased legal expenses related to patent and licensing activity, increased advertising and marketing expenditures related to pre-launch activities for PEG-L-asparaginase and Genex administrative expenses.

Liquidity and Capital Resources

The Company had $15,643,000 in cash and cash equivalents and $16,016,000 in short-term investments, as of March 31, 1992. The Company invests its excess cash in a diversified portfolio of marketable securities in institutions with strong credit ratings and U.S. Government backed securities. Cash used in operations was approximately $13,058,000 for the nine months ended March 31, 1992 primarily due to funding of the loss from operations.

Cash, cash equivalents, short-term investments and marketable securities of $31,659,000 as of March 31, 1992 decreased by $15,248,000 since the fiscal year ended, June 30, 1991. The most significant changes for the nine months ended March 31, 1992 resulted from cash used to fund the loss from operations, payments of expenses related to the Company's acquisition of Genex, payment of a promissory note issued by Genex to certain of it's former shareholders and capital expenditures of approximately $2,763,000.

The Company completed its acquisition of all of the outstanding capital stock of Genex through the *merger of its wholly-owned subsidiary Enzon Acquisition Corp.* with and into Genex on October 31, 1991, with Genex as the surviving corporation. In connection with this merger, the Company agreed to issue approximately 701,299 shares of its common stock and 582,822 three year warrants to purchase its common stock at an exercise price of $18 per share to former stockholders of Genex. As of March 31, 1992, the Company had issued 692,480 shares of Common Stock and 575,420 Warrants to former Genex shareholders. The remaining shares and warrants have been classified as "Common stock and warrants to be issued - Genex Acquisition" in the Consolidated Condensed Balance Sheet.

The Company's June 1989 Agreement with Sterling Winthrop Inc. ("Sterling") requires a credit to Sterling for monies not expended for the development of PEG-SOD, PEG-catalase and PEG-uricase under the Company's March 1987 stock purchase agreement with Sterling's parent, Eastman Kodak Company. The shortfall, shown as a current liability in the consolidated condensed balance sheet as of March 31, 1992, was approximately $1,300,000. The shortfall may be applied by Sterling as a credit against amounts owed by Sterling for clinical supplies.

At March 31, 1992, the Company had 131,000 shares of Series A Cumulative Convertible Preferred Stock outstanding, which have dividends in arrears of $529,094. The Company does not presently intend to pay cash dividends on the Series A Cumulative Convertible Preferred Stock.

To date, the Company's sources of cash have been the proceeds from the sale of its stock through public and private placements, sales of ADAGEN™, sales of its products for research purposes, development fees and technology transfer and license fees. The Company's current sources of liquidity are its cash, cash equivalents, investments, interest earned on such cash reserves, sales of ADAGEN™, anticipated sales of its products for research purposes and anticipated license and research fees. Management believes that its current sources of liquidity will be sufficient to meet anticipated cash requirements through the end of fiscal 1993.

Upon exhaustion of the Company's current cash reserves, continued operations will depend on its ability to realize significant revenues from the commercial sale of its products, raise additional funds through equity or debt financing, or obtain significant licensing, technology transfer or contract research and development fees. There can be no assurance that these sales or financing activities will be successful.

The effect of inflation on the Company's past operations has not, in management's opinion, been significant.

PART II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

a) An Annual Meeting of Stockholders was held on January 22, 1992.

b) Martin Stein and A. M. "Don" MacKinnon were elected as Class II Directors to serve until the Annual Meeting of Stockholders for the fiscal year ending June 30, 1994. The terms of office for the following Directors continued after the meeting: Abraham Abuchowski, Michael Burns, Richard A. Cooper, Frank Davis and Norman Gross.

c) The matters voted upon and the results of the voting were as follows:

1. The stockholders voted 13,277,410 shares in favor and 313,306 shares against the election of Martin Stein as Class II Director; and 13,279,490 shares in favor and 311,226 shares against the election of A.M. "Don" MacKinnon as Class II Director.
2. The stockholders voted 7,562,485 shares in favor and 1,409,293 shares against ratifying the Company's Non-Qualified Stock Option Plan for employees, officers, directors and independent consultants.
3. The stockholders voted 13,559,913 shares in favor and 10,099 shares against ratifying the selection of KPMG Peat Marwick, independent public accountants, to audit the Company's financial statements for the fiscal year ending June 30, 1992.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - None

b) Reports on 8-K

The Company filed with the Commission on February 14, 1992 a current report on Form 8-K relating to the Company's announcement that it has entered into a research alliance with Celtrix Laboratories, Inc., the Company's announcement that it has entered into a research alliance with Genelabs Technologies, Inc., the Company's announcement that it has entered into an agreement with Allelix Biopharmaceuticals, Inc., the Company's announcement related to production of its red blood substitute, PEG-hemoglobin and the Company's announcement that it has signed a letter of intent with Neoprobe Corporation for an exclusive licensing arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENZON, INC.
(Registrant)

Date: May 14, 1992

By: GWasilewski
Gail Wasilewski
Vice President-Finance and Chief Financial Officer
(Principal Financial Officer and Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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92-2254

☒ QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended April 4, 1992

☐ TRANSITION REPORT PURSUANT TO SECTION 12 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
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MAY 22 1992

For the transition period from ____________ to ______________

Commission file number 0-19386

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

FISCHER IMAGING CORPORATION

(Exact name of Registrant as specified in its charter)

39

DELAWARE	36-2756787
(State of incorporation)	(I.R.S. Employer Identification No.)

12300 North Grant Street
Denver, Colorado
(Address of principal executive offices)

80241
(Zip Code)

Registrant's telephone number, including area code: (303) 452-6800

Indicate by check mark whether the Registrant (i) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes X No __

Title of Class	Shares Outstanding as of May 1, 1992
Common Stock, $0.01 par value	5,432,762

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FISCHER IMAGING CORPORATION

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FISCHER IMAGING CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	April 4, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,655,555	$ 5,448,215
Trade accounts receivable, net of allowances of $449,000 and $459,000, respectively	13,141,262	12,424,574
Inventories	16,872,783	16,721,582
Other current assets	1,336,311	1,022,614
Total current assets	36,005,911	35,616,985
PROPERTY AND EQUIPMENT (at cost):		
Manufacturing equipment	4,181,433	4,118,239
Office equipment and leasehold improvements	3,056,800	2,756,582
	7,238,233	6,874,821
Less-Accumulated depreciation and amortization	4,669,510	4,452,519
Property and equipment, net	2,568,723	2,422,302
DEFERRED COSTS AND OTHER ASSETS	1,221,773	1,000,047
Total assets	$ 39,796,407	$ 39,039,334

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	April 4, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Bank overdraft	$ 640,837	$ 231,571
Notes payable and current maturities of long term debt	727,180	667,640
Trade accounts payable	4,405,196	5,940,374
Accrued salaries and wages	1,358,822	1,469,264
Other current liabilities	5,563,648	3,797,740
Total current liabilities	12,695,683	12,106,589
LONG-TERM DEBT	1,999,345	2,125,419
OTHER NONCURRENT LIABILITIES	418,397	638,404
Total liabilities	15,113,425	14,870,412
STOCKHOLDERS' INVESTMENT:		
Common Stock, $.01 par value, 25,000,000 shares authorized, 5,419,942 and 5,381,956 shares issued and outstanding, respectively	54,199	53,820
Additional paid-in capital	24,342,975	24,288,264
Accumulated earnings	594,491	112,139
Note receivable for common stock	(19,876)	(19,876)
Cumulative translation adjustment	(288,807)	(265,425)
Total stockholders' investment	24,682,982	24,168,922
Total liabilities and stockholders' investment	$ 39,796,407	$ 39,039,334

The accompanying notes are an integral part of these balance sheets.

FISCHER IMAGING CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended	
	April 4, 1992	March 31, 1991
NET REVENUES	$15,371,700	$13,165,173
COST OF SALES	9,567,653	8,419,560
Gross profit	5,804,047	4,745,613
OPERATING EXPENSES:		
Research and development	1,284,018	1,315,089
Selling, marketing and service	3,011,708	2,016,170
General and administrative	698,588	675,598
Total operating expenses	4,994,314	4,006,857
EARNINGS FROM OPERATIONS	809,733	738,756
Interest expense	(87,254)	(330,081)
Interest income	56,008	3,392
Other income	94,850	24,485
EARNINGS BEFORE INCOME TAXES	873,337	436,552
Provision for income taxes	390,985	30,000
NET EARNINGS	482,352	406,552
Dividends and costs related to Series A Preferred Stock	–	157,115
Net earnings attributable to common and common equivalent shares	$ 482,352	$ 249,437
Net earnings per common and common equivalent share	$ .09	$ .07
Weighted average common and common equivalent shares outstanding	5,517,289	3,667,293

The accompanying notes are an integral part of these statements.

FISCHER IMAGING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	April 4, 1992	March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 482,352	$ 406,552
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities -		
Depreciation and amortization	216,902	193,777
Amortization of deferred gain on building sale	(10,337)	(10,337)
Amortization of deferred compensation	14,899	--
Net changes in assets and liabilities -		
(Increase) decrease in trade accounts receivable	(716,668)	848,007
Increase in inventories	(151,201)	(1,078,769)
Increase in other current assets	(313,697)	(214,329)
(Increase) decrease in deferred costs and other assets	(221,726)	10,718
Increase in bank overdraft	409,266	38,320
Increase (decrease) in trade accounts payable	(1,535,178)	1,792,733
Decrease in accrued salaries and wages	(110,442)	(121,565)
Increase (decrease) in other current liabilities	1,665,048	(74,568)
Decrease in other non-current liabilities	(108,810)	(22,891)
Total adjustments	(861,874)	1,361,096
Net cash provided by (used in) operating activities	(379,522)	1,767,648
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net	(363,413)	(117,604)
Net cash used in investing activities	(363,413)	(117,604)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock, net	40,191	–
Net borrowings (repayments) under line of credit agreements	59,541	(1,375,711)
Repayments of long-term debt	(126,075)	(313,245)
(Increase) decrease in cumulative translation adjustment	(23,382)	29,841
Payment of dividends on Series A Preferred Stock	–	(150,000)
Net cash used in financing activities	(49,725)	(1,809,115)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(792,660)	(159,071)
CASH AND CASH EQUIVALENTS, beginning of period	5,448,215	239,560
CASH AND CASH EQUIVALENTS, end of period	$4,655,555	$ 80,489

The accompanying notes are an integral part of these statements.

FISCHER IMAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. GENERAL

In the opinion of management, the accompanying unaudited consolidated balance sheets and statements of operations and cash flows contain all adjustments, consisting only of normal recurring items, necessary to present fairly the financial position at April 4, 1992 and the results of operations and cash flows for the three months ended April 4, 1992 and March 31, 1991.

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in Fischer Imaging Corporation's ("the Company") latest annual report on Form 10-K.

2. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	April 4, 1992	December 31, 1991
Notes payable to banks under revolving line of credit agreements	$ 218,926	$ 159,385
Promissory note payable	1,988,555	2,078,356
Capitalized lease obligations	519,044	555,318
	2,726,525	2,793,059
Less--Current maturities...	(727,180)	(667,640)
Long-term debt	$ 1,999,345	$ 2,125,419

3. INVENTORIES

Inventories include costs of materials, direct labor and manufacturing overhead. Inventories are priced at the lower of cost (using primarily the last-in, first-out ("LIFO") method of valuation) or market.

Inventories consisted of the following components:

	April 4, 1992	December 31, 1991
FIFO cost–		
Raw materials	$ 8,606,478	$ 8,440,778
Work in process and finished goods	9,530,330	9,524,710
LIFO valuation adjustment	(1,264,025)	(1,243,906)
Total inventories	$16,872,783	$16,721,582

4. NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Net earnings per share is computed based on results of operations attributable to common stock and weighted average number of common and common equivalent shares outstanding during each of the periods. Options on 42,947 shares at April 4, 1992 and 78,320 shares at December 31, 1991 have been treated as outstanding common stock equivalents.

Earnings per share of common stock are calculated by dividing the net earnings by the weighted average of common and common equivalent shares outstanding during each of the periods.

5. EFFECT OF ACCOUNTING PRONOUNCEMENTS

In February 1992, the Financial Accounting Standards Board issued "Statement of Financial Accounting Standards No. 109--Accounting For Income Taxes." The Company is required to adopt the new accounting and disclosure rules no later than the first quarter of 1993 although earlier adoption is permitted. The Company will adopt this statement prospectively with no material impact on its financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE

Results of Operations

Net revenues for the three months ended April 4, 1992 increased 16.8% to $15.4 million from $13.2 million for the same three month period of a year ago. The increase in net revenues was due to higher sales through the Company's direct sales organization. Sales of the Company's MAMMOTEST™ stereotactic breast biopsy system experienced significant growth, when compared to the first quarter of 1991. OEM sales were essentially equal to the first quarter of last year, while dealer sales were slightly down, when compared to the same period.

Gross profit expressed as a percent of net revenues for the three month period increased to 37.8% from 36.0% for the same period a year ago as a result of increases of sales through the Company's direct sales organization. In addition to the transition to direct sales, the shift in product mix to a higher volume of MAMMOTEST™ systems had a favorable impact on gross margins.

Research and development expense of $1.3 million for the three month period essentially equalled the level of expense from a year ago. This leveling of expense was practically the result of a decrease in the cost associated with a certain OEM development project. When expressed as a percent of net revenues, research and development expense was 8.4% for the first quarter, compared to 10.0% from a year ago.

Selling, marketing and service expense increased 49.4% for the three month period, to $3.0 million or 19.6% of net revenues, compared to $2.0 million, or 15.3% of net revenues for the same period of a year ago. This increase reflects the Company's continued investment in direct sales and service personnel, as well as higher provisions for warranty and installation and commissions recorded as a result of the increase in direct sales volume.

General and administrative expense for the three month period was $699,000, reflecting an approximate 3% increase from the same period in 1991.

Earnings before income taxes increased to $873,000 in the quarter, from $437,000 for the same quarter a year ago. This earnings increase was primarily due to the elimination of approximately $243,000 of interest expense, as well as an increase in earnings from operations.

Income Taxes

The provision for income taxes for the three month period was $391,000, reflecting an effective tax rate of 44.8%, compared to an effective tax rate of 6.9% from the first quarter of 1991. During 1991 the Company benefited from net operating loss carryforwards. This benefit has since been fully utilized. The Company is attempting to improve its tax position in the remainder of the year.

Liquidity and Capital Resources

At April 4, 1992, the Company had net working capital of $23.3 million, compared to $23.5 million of net working capital at December 31, 1991. For the three months ended April 4, 1992, the Company had negative cash flows from operations of $380,000, caused primarily by increased accounts receivable partially offset by a net increase in liabilities due largely to deposits from customers.

The Company currently has in place an $8.0 million working capital line of credit, which is secured by accounts receivable, inventory and fixed assets and subject to borrowing base restrictions. The line of credit expires on November 9, 1992 at which time the Company intends to renew or replace. At April 4, 1992, there were no borrowings outstanding under this line of credit.

The Company expects to fund its working capital needs for the foreseeable future through cash flows from operations and its existing lines of credit.

PART II. OTHER INFORMATION

Item 6 (a): Exhibits

None.

Item 6 (b): Reports on Form 8-K

There were no reports on Form 8-K filed for the quarter ended April 4, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended April 4, 1992, to be signed on its behalf by the undersigned thereunto duly authorized.

FISCHER IMAGING CORPORATION

Roberto A. Cascella
Executive Vice President and
Chief Financial Officer

DATE: May 13, 1992

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SECURITIES AND EXCHANGE COMMISSI

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED MARCH 31, 1992 **Commission File Number 0-10248**

FONAR CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

11-2464137
(I.R.S. Employer Identification No.)

110 Marcus Drive Melville, New York **11747**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(516) 694-2929**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

.13Q

Class	Outstanding at March 31, 1992
Common Stock, par value $.0001	21,726,456
Class B Common Stock, par value $.0001	3,202,189

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FONAR CORPORATION AND SUBSIDIARIES
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FONAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(000's OMITTED)

ASSETS	March 31, 1992 (UNAUDITED)	June 30, 1991
Current Assets:		
Cash	$ 45	$ 534
Accounts and notes receivable, net of allowance for doubtful accounts of $ 1,639	6,275	6,185
Accounts receivable from affiliates	400	400
Costs and estimated earnings in excess of billings on uncompleted contracts (Note C)	2,822	3,109
Inventories (Note B)	4,278	2,954
Assets held for resale	1,444	2,487
Other current assets	2,225	3,153
Total current assets	17,489	18,822
Property and equipment, at cost	12,799	12,872
Less accumulated depreciation and amortization	(8,981)	(7,975)
	3,818	4,897
Investment in and receivables from affiliates, net of allowance of $ 1,000	4,325	2,242
Cost of acquired technology and license, patents and software development costs, net	3,107	3,997
Net investment in sales-type leases	10,116	8,914
Other assets	809	1,406
	$ 39,664	$ 40,278
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$ 1,743	$ 1,489
Current maturities of long-term debt and capital lease obligations	5,223	6,401
Accounts payable	2,741	3,912
Billings in excess of costs and estimated earnings on uncompleted contracts (Note C)	263	1,208
Accrued expenses, customer advances and other current liabilities	11,347	9,332
Total current liabilities	21,317	22,342
Long-term debt and capital lease obligations less current maturities	5,463	7,323
Other liabilities	493	717
	5,956	8,040
Stockholders' Equity (Note D)	12,391	9,896
	$ 39,664	$ 40,278

See notes to condensed consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(000's OMITTED, except per share data)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1992	1991
REVENUES	$ 4,499	$ 4,674
COSTS AND EXPENSES:		
Cost of revenues	1,915	2,090
Research and development	775	1,077
Selling, general and administrative	1,353	1,112
Income from operations	456	395
Other (income) expenses, net	69	(598)
Income before provision for income taxes and extraordinary credit	387	993
Provision for income taxes	-	-
Income before extraordinary credit	387	993
Extraordinary credit - tax benefit of net operating loss carryforwards	-	-
NET INCOME	$ 387	$ 993
Net Income per common share:		
Income before extraordinary credit	$ .02	$ .04
Extraordinary credit	.00	.00
Net Income per common share	$ .02	$ .04
Weighted average number of common shares outstanding	24,929	22,426

See notes to condensed consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(000's OMITTED, except per share data)

	FOR THE NINE MONTHS ENDED MARCH 31, 1992	FOR THE NINE MONTHS ENDED MARCH 31, 1991
REVENUES	$ 14,961	$ 15,213
COSTS AND EXPENSES:		
Cost of revenues	6,593	6,583
Research and development	2,360	2,866
Selling, general and administrative	4,597	3,880
Income from operations	1,411	1,884
Other (income) expenses, net	(81)	(1,342)
Income before provision for income taxes and extraordinary credit	1,492	3,226
Provision for income taxes	-	-
Income before extraordinary credit	1,492	3,226
Extraordinary credit - tax benefit of net operating loss carryforwards	-	-
NET INCOME	$ 1,492	$ 3,226
Net Income per common share:		
Income before extraordinary credit	$ .06	$ .14
Extraordinary credit	.00	.00
Net Income per common share	$ .06	$ .14
Weighted average number of common shares outstanding	24,929	22,426

See notes to condensed consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(000'S OMITTED)

	FOR THE NINE MONTHS ENDED MARCH 31,	
	1992	1991
Operating activities:		
Net Income	$ 1,492	$ 3,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,965	2,147
(Increase) decrease in operating assets, net: accounts and notes receivable, inventories, other current assets, costs and estimated earnings in excess of billings on uncompleted contracts and assets held for resale	(22)	(858)
Increase (decrease) in operating liabilities, net: accounts payable, accrued expenses and other current liabilities, billings in excess of costs and estimated earnings on uncompleted contracts and other liabilities	(324)	(1,604)
Net cash provided by operating activities	3,111	2,911
Investing activities:		
Purchases of property and equipment, net of capital lease obligations	(320)	(277)
Investment in and receivables from affiliates	(1,671)	(8)
Cost of acquired technology and license, patents and software development costs	-	-
Net cash used by investing activities	(1,991)	(285)
Financing activities:		
Proceeds from borrowings, net of capital lease obligations	-	-
Repayment of borrowings and capital lease obligations	(2,803)	(2,257)
Increase in investment in sales-type leases	(1,000)	(1,300)
Collection of principal on sales-type leases	665	2,312
Issuance of common stock and warrants and collection of stockholder notes, net	932	96
(Increase) Decrease in other assets	597	(1,625)
Net cash used in financing activities	(1,609)	(2,774)
Decrease in Cash	(489)	(148)
Cash at beginning of period	534	948
Cash at end of period	$ 45	$ 800

See notes to condensed consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1992

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10Q and Article 10 of Regulation S-K. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal adjusting accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended June 30, 1992. For further information, refer to the Company's consolidated report on Form 10-K for the fiscal year ended June 30, 1991.

NOTE B - INVENTORIES

The components of inventory consist of:	(000's OMITTED)	
	March 31, 1992	June 30, 1991
Purchased parts components and supplies	$ 1,568	$ 1,083
Work in process	2,710	1,871
	$ 4,278	$ 2,954

NOTE C - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Uncompleted contracts are comprised of:	(000's OMITTED)	
	March 31, 1992	June 30, 1991
Costs incurred on uncompleted contracts	$ 2,221	$ 3,173
Estimated earnings	1,842	3,496
	4,063	6,669
Less: billings to date	(1,504)	(4,768)
	$ 2,559	$ 1,901
Uncompleted contracts have been individually netted and are reported as follows:		
Costs and estimated earnings in excess of billings on uncompleted contracts-short term	$ 2,822	$ 3,109
Billings in excess of costs and estimated earnings on uncompleted contracts	(263)	(1,208)
	$ 2,559	$ 1,901

NOTE D - STOCKHOLDERS' EQUITY

Stockholders' Equity is comprised of:

	(000'S OMITTED) March 31, 1992	(000'S OMITTED) June 30, 1991
Common Stock $.0001 par value; 50,000,000 shares authorized; 21,726,456 outstanding at March 31 and 19,764,540 at June 30.	$ 2	$ 2
Class B Common Stock $ .0001 par value; 4,000,000 shares authorized, 3,202,189 outstanding at March 31 and at June 30.	-	-
Preferred Stock $ .001 par value 10,000,000 shares authorized.	-	-
Additional paid-in capital	32,651	31,786
Accumulated deficit	(19,388)	(20,880)
Unearned compensation	-	(70)
Notes receivable - stockholders	(479)	(547)
Treasury stock - 108,864 shares	(395)	(395)
	$ 12,391	$ 9,896

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the first nine months of fiscal 1992, the Company reported net income of $1.5 million on revenues of $15.0 million as compared to net income of $3.2 million on revenues of $15.2 million for the corresponding period of the prior fiscal year.

For the third quarter of fiscal 1992, the Company reported net income of $ 387,000 on revenues of approximately $4.5 million, as compared to net income of $ 993,000 on revenues of approximately $4.7 million for the corresponding period for the prior fiscal year.

The continuing profitability of the Company operations is the result of new programs the Company set in motion in fiscal 1989; namely strict cost containment initiatives, the redirecting of corporate business into more profitable enterprises, and the paying down of interest bearing debt. The corporate enterprises in addition to manufacturing that were targeted for development in fiscal 1990 because of their enhanced profitability and from which the Company continues to prosper in fiscal 1992 were customer service, upgrades, fee-for-service and scanning center management.

Significant upgrade income, an income resource new to the medical instrument industry, derives in large part from the exceptional versatility and productivity of the MRI technology.

Accordingly, during the current fiscal year, the Company has continued the program for upgrading previously installed scanners and derived significant upgrade income. In conjunction with this program, significant research and development programs have been continued, which emphasize the development of new features for the Company's scanner upgrade program. More specifically, products derived from the Company's new "Ultimate MR" scanner are expected to generate significant upgrade revenue throughout fiscal 1992 as customers upgrade their existing scanners rather than take on new debt to purchase a new scanner at a time when there is a growing aversion to new debt in the marketplace. The "Ultimate" program enables existing FONAR users to benefit from the improved image quality and high speed imaging of the Ultimate at a fraction of the cost of a new scanner.

Liquidities and Capital Resources

At March 31, 1992, the Company's liquidity and capital resources positions changed from the June 30, 1991 position as follows:

	March 31, 1992	June 30, 1991	Change
Working capital (deficiency)	($ 3,828,000)	($ 3,520,000)	($ 308,000)
Stockholder's equity	$12,391,000	$ 9,896,000	$ 2,495,000

Total liabilities were reduced since June 30, 1991 by approximately $3.1 million to approximately $27.3 million. Corporate net worth increased by $1.4 million to $12.4 million over the second quarter and $2.5 million since June 30, 1991.

Although vendor and creditor payment obligations continue to run beyond normal payment terms, cash flows from the Company's operations (which includes advance payments from customers) provided the working capital necessary to maintain scanner system deliveries and have enabled the Company to reduce its past due payment obligations.

Since June 1989, a principal objective of the Company has been to reduce and ultimately eliminate its debt. Since the inception of the plan, interest bearing debt was reduced from $23.1 million in fiscal 1989 to $18.5 million in fiscal 1990. Through June 30, 1991 interest bearing debt was reduced by an additional $3.3 million to $15.2 million. Continuing this program in the nine months since June 30, 1991, the Company has reduced its interest bearing debt an additional $2.8 million to $12.4 million.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings: No material changes in litigation for the first nine months of fiscal 1992 from that described in Form 10-K for the fiscal year ended June 30, 1991.

Item 2 - Changes in Securities: None

Item 3 - Defaults Upon Senior Securities: None

Item 4 - Submission of Matters to a Vote of Security Holders: None

Item 5 - Other Information: None

Item 6 - Exhibits and Reports on Form 8-K: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FONAR CORPORATION
(Registrant)

Dated: May 19, 1992

By: Raymond V. Damadian

Raymond V. Damadian
President & Chairman

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

Commission file number 0-19766

THE HOME-STAKE OIL & GAS COMPANY
(Exact name of registrant as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-0288030 (I.R.S. Employer Identification No.)
2800 First National Tower Tulsa, Oklahoma (Address of principal executive offices)	74103 (Zip Code)

(918) 583-0178
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

The number of shares outstanding of the Registrants's common stock, all of which comprise a single class with $20 par value, as of May 14, 1992, the latest practicable date, was 89,509.

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THE HOME-STAKE OIL & GAS COMPANY

FORM 10-Q
MARCH 31, 1992

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PART I - FINANCIAL INFORMATION

THE HOME-STAKE OIL & GAS COMPANY
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, 1992	December 31, 1991
Current assets:		
Cash	$ 416,439	$ 311,662
Accounts receivable	376,800	507,478
Refundable income taxes	266	426
Prepaid expenses	39,559	16,656
Total current assets	833,064	836,222
Investments	1,655,405	1,655,166
Property and equipment, at cost:	26,971,003	26,953,327
Less accumulated depreciation, depletion and amortization	18,718,463	18,387,219
Net property and equipment	8,252,540	8,566,108
Other assets	23,103	23,889
	$10,764,112	$11,081,385

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
Current liabilities:		
Accounts payable and accrued liabilities	$ 194,624	$ 328,813
Deferred compensation payable	111,441	115,036
Payable to affiliate	200,704	91,527
Income taxes payable	3,513	38,583
Bonus payable	--	70,229
Current notes payable (Note 2)	1,942,233	1,472,233
Total current liabilities	2,452,515	2,116,421
Long-term notes payable (Note 2)	1,333,320	1,955,547
Deferred income taxes	351,100	387,900
Contingencies (Note 3)		
Stockholders' equity:		
Common stock, $20 par value - 100,000 shares authorized and issued	2,000,000	2,000,000
Additional paid-in capital	8,055,613	8,055,613
Accumulated Deficit	(1,944,419)	(1,950,079)
	8,111,194	8,105,534
Less treasury stock, at cost - 10,491 shares	1,484,017	1,484,017
Total stockholders' equity	6,627,177	6,621,517
	$10,764,112	$11,081,385

See accompanying notes.

THE HOME-STAKE OIL & GAS COMPANY
CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
Three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Revenues:		
Oil sales	$ 724,603	$ 620,127
Gas sales	515,139	810,610
Lease bonuses and rentals	11,959	5,128
Interest and dividends	25,378	7,741
Gain on sales of assets	1,595	--
Other	22,539	25,547
	1,301,213	1,469,153
Costs and expenses:		
Lease operating expenses	195,384	178,446
Production taxes	99,203	103,560
Depreciation, depletion and amortization	370,892	327,070
Dry hole costs	(2,399)	72,731
Condemned and abandoned properties	(1,810)	9,814
General and administrative expense	313,166	273,004
Interest expense	60,571	242
Property, franchise and other taxes	28,441	43,480
	1,063,448	1,008,347
Income before provision for income taxes	237,765	460,806
Provision for income taxes:		
Current	89,887	105,317
Deferred	(36,800)	33,100
	53,087	138,417
Net income	184,678	322,389
Accumulated deficit at beginning of period	(1,950,079)	(969,977)
Cash dividends ($2.00 per share)	(179,018)	(179,018)
Accumulated deficit at end of period	$(1,944,419)	$ (826,606)
Weighted average number of shares outstanding	89,509	89,478
Net income per share	$ 2.06	$ 3.60

See accompanying notes.

THE HOME-STAKE OIL & GAS COMPANY
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Operating activities:		
Oil and gas sales, net of production	$ 1,265,380	$ 1,412,018
Lease bonuses and rentals	11,959	5,128
Interest and dividends	30,604	7,741
Other	22,300	22,332
	1,330,243	1,447,219
Cash paid to suppliers and employees	538,526	779,456
Interest expense	96,564	119
Property, franchise and other taxes	28,441	43,480
Income taxes paid	124,797	17
	788,328	823,072
Net cash provided by operating activities	541,915	624,147
Investing activities:		
Proceeds from sales of property and equipment	30,387	--
Acquisition of property and equipment	(136,420)	(774,456)
Net cash used in investing activities	(106,033)	(774,456)
Financing activities:		
Sale of treasury stock	--	10,000
Proceeds from notes payable	570,000	--
Note payments	(722,227)	--
Cash dividends paid	(178,878)	(179,053)
Net cash used in financing activities	(331,105)	(169,053)
Net increase (decrease) in cash	104,777	(319,362)
Cash at beginning of period	311,662	408,924
Cash at end of period	$ 416,439	$ 89,562

See accompanying notes.

THE HOME-STAKE OIL & GAS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - General

The unaudited financial information provided in this report includes all normal recurring adjustments which are, in the opinion of management, necessary to fairly present the financial position, result of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted or condensed. The Company believes that the disclosures herein are adequate to make the information presented not misleading; however, these financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The results for interim periods are not necessarily indicative of trends or of results to be expected for the full year.

Note 2 - Notes payable

Notes payable at March 31, 1992, consist of the following balances:

	Current	Long-term
Prime rate bank note due May 15, 1992, requiring monthly payments of interest	$1,020,000	$ --
Prime rate bank note due $33,334 monthly, Plus interest through May 15, 1993	400,008	1,333,320
9% notes due January 1, 1993	522,225	-
	$ 1,942,233	$ 1,333,320

In addition, the Company has a $2 million bank line of credit available until May 15, 1992, which provides for monthly payments of interest on the outstanding borrowings at bank prime. There is no balance currently due under this line, however the Company has issued letters of credit in the amount of $582,225 which are guaranteed by this line. The Company is currently negotiating a one-year extension of this line, with similar terms.

All of the notes payable and the line of credit described above are uncollateralized.

Note 3 - Contingencies

The Company is involved in various legal actions arising in the normal course of business, as well as certain actions by, and against, a stockholder of the Company, Tri Texas, Inc. In the opinion of management, the Company's liabilities, if any, in these matters will not have a material effect on the Company's financial position or the results of operations.

Item 2. · Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations - First quarter 1992 compared with first quarter 1991

Net income for the first quarter decreased $137,711 from $322,389 in 1991 to $184,678 in 1992. The principal reasons for this decrease are as follows:

Oil sales increased $104,476 (17%) due to an increase in production of approximately 12,000 barrels partially offset by a decrease in average price from $20.78 per barrel to $16.81 per barrel. This increase in production was primarily as a result of a purchase of producing oil properties the Company made in the second quarter of 1991.

Gas sales decreased $295,471 (36%) due to a decrease in production volumes from 480,000 mcf to 336,00 mcf and a drop in the average product price from $1.69 per mcf to $1.53 per mcf.

Dry hole costs decreased $75,130 due to the decreased level of drilling activity in 1992. There was only one dry hole drilled early in the first quarter, of which most of the related drilling costs were written-off in 1991. In 1991 there were two dry holes drilled, with considerably higher average costs.

Interest expense increased $60,329 in 1992 as a result of the borrowings made by the Company in the second and third quarters of 1991.

Financial Condition and Liquidity

At March 31, 1992, the Company had a revolving line-of-credit with The Fourth National Bank of Tulsa in the amount of $2.0 million. Advances under this line require monthly payments of interest (based on the prime rate of interest as determined by Chase Manhattan Bank, N.A.) and are due and payable on May 15, 1992, when this line expires. At March 31, 1992, the Company has borrowed $1,020,000 under this line and has issued letters-of-credit in the amount of $582,225. The Company is currently finalizing a one-year extension to this line-of-credit which will provide for similar terms (except for a reduction of the minimum net worth requirements) as the expiring line.

Part II. Other Information

Item 1. Legal Proceedings.

There is a complete discussion of legal proceedings included in the Company's Annual Report on Form 10-K. Since the date of that report there has only been one material change in the status of such matters. In May 1992, Tri Texas, Inc. ("Tri Texas") amended the petition filed in the action on September 26, 1991 in Dallas County District Court, against the Company to request the court to set aside all actions taken at the Company's 1992 Annual Meeting of Stockholders held May 4, 1992, because Tri Texas was not allowed to vote certain shares of common stock subject to such legal action. At the annual meeting the stockholders voted on the election of directors nominated by management and two other proposals to amend the Company's Certificate of Incorporation. (See Item 4. Submission of Matters to a Vote of Securities Holders for a description of these matters.) The directors nominated by management would have received the requisite votes for election regardless of the vote of the shares purportedly controlled by Tri Texas. In the event Tri Texas could have voted all of the shares it owns or purportedly controls on the other proposals, which the Company disputes, Tri Texas contends that the two proposals would not have received a sufficient number of votes for adoption.

Item 2. Changes in Securities.

See Item 4 below regarding the authorization of preferred stock. At May 14, 1992 no such shares have been issued.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of the stockholders of The Home-Stake Oil & Gas Company was held in the offices of the Company on May 4, 1992 for the purpose of electing three directors whose terms were expiring. The nominees and their respective expiration of term were as follows: O. Strother Simpson - 1995; Oliver A. Gutman - 1995; and, L. W. Allegood - 1995. All nominees proposed by management were reelected. The continuing directors are Wilfred P. Uhren, Jamie C. Gibson, Chris K. Corcoran, Robert C. Simpson, Joseph J. McCain, Jr., and Robert M. Siegfried.

In addition to the election of directors, the stockholders approved two amendments to the Company's Certificate of Incorporation. The first restricted the voting power for up to three years of persons or groups who make "control share acquisitions" of the Company's voting securities and was approved by a vote of 57,013 shares "For" and 22,140 shares "Against". The second authorized the creation of 200,000 shares of preferred stock of the Company and allowed the Board of Directors to designate one or more series and issue preferred stock with such preferences, rights and powers as they designated. This second proposal was approved by a vote of 56,763 shares "For" and 22,200 shares "Against".

See Item 1, Legal Proceedings, for additional information regarding this matter.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the first quarter of the fiscal year ended March 31, 1992.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Home-Stake Oil & Gas Company
(Registrant)

Date: May 14, 1992

By: ________________________
Robert C. Simpson
Chief Executive Officer, President and Treasurer

Date: May 14, 1992

By: ________________________
Chris K. Corcoran
Vice President, Chief Financial Officer and Corporate Secretary

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 1991.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ______

Commission file number 33-24470-D

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INNOVA CORPORATION
(Exact name of Registrant as specified in its charter)

Colorado	84-1060181
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8670 Wolff Court, Suite 170, Westminster, CO 80030
(Address of principal executive offices)
(Zip Code)

(303) 426-4383
Registrant's telephone number including area code

NEW GOLF CONCEPTS, INC.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ______ No __X__

The number of shares outstanding of the Issuer's Common Stock as of June 8, 1992 is 23,763,130 shares.

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JUN 30 1992

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Page F-1

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Although Innova Corporation's (the "Company") liabilities are significantly in excess of its assets, the Company believes its liquidity position to be satisfactory so as to permit the Company's continued operation and implementation of its future business plans. Of the current liabilities, the Debentures are carried as an $857,500 current liability. The Debentures are 14% Convertible Debentures with interest payable annually at the rate of 14% per annum and the principal payable five years from the date of issue (May through November 1995). The Debentures are carried as a current liability for the reason that, while no claims have been made, the Debentures may be subject to rescission in the event a holder makes such a request, and therefore the total amount has been classified as a current liability. The Company has received no requests nor indications from any holder of the desire to rescind their purchase. It is the Company's opinion that there will be no request for rescission.

The note payable in the amount of $209,000 represents an obligation pursuant to an agreement to purchase a partially developed golf course in Palisade, Colorado. The Company has through March 1992 to perform certain due diligence on the property, and at its option may elect to rescind this purchase and will have no further liability pursuant to such note.

The Common Stock liability of $340,000 represents 3,400,000 shares issued for services to William D. Leary, the Company's President and Treasurer, and to Roy Parker, the Company's Executive Vice President and Secretary, for establishing the distribution network system for Isolite. As these shares have not yet been issued, a liability of $340,000 has been reported as of June 30, 1991. When the shares are actually issued, this liability will be transferred to equity.

The Company's Balance Sheet discloses a liability in the amount $601,139 (June 30, 1991) as deferred revenue from Distributors. This represents advance payments by distributors for purchases of Isolite as of such dates. Upon entry into a distributor agreement, each distributor must purchase an initial stocking inventory. Advance payment for such initial stocking inventory is required pursuant to the terms of the distributor agreement. Thereafter, payment for all product orders must be made by either wire transfer of funds, certified funds, cashier's check, or irrevocable bank letter of credit made in favor of the Company upon presentation of invoices and bills of lading. The Company utilizes this method of payment so as to avoid the situation of having ordered product on behalf of its distributors and then not having the distributor pay for the product. Management of the Company believes that such payments methods will favorably affect the Company's liquidity position.

Not all distributors have ordered product for delivery that equals their 50,000 pound purchase requirement. The principal reasons for this are: 1) They do not wish to warehouse the product, pay fees and increase their cost until several weeks of prospecting are complete; 2) They do not have their public warehouse set up; and 3) Freight on product is less expensive when shipped in full trailer load configuration. Most trailer loads represent approximately 40,000 pounds in product. As a result not all Distributors have fully satisfied their initial purchase requirements. As marketing of Isolite is still in the initial stages, the Company is continuing to work with its Distributors and is not requiring strict compliance with all minimum purchase requirements.

The Company's liquidity position has remained constant the past three (3) months. As of March 31, 1991, the Company had a cash position of $314,474 and an inventory position in Isolite of approximately $176,000 (at cost), with $427,500 in deferred revenues, which include the Company's markup. As of June 30, 1991, the Company's cash position was $282,345, and an inventory position in Isolite of approximately $183,600, with deferred revenues of $601,139. Historically, the Company's expenditures have always been in excess of revenues, and thus the Company's liquidity position has historically been weak. The Company incurred significant expenses with respect to the sale of Isolite Distributorships. As part of the Company's establishment of its distribution network, a significant number of employees were hired and significant expenses were incurred in marketing and selling the distributorships.

Although Management expects the Company to continue operating at a loss through the fourth quarter of fiscal year 1992, Management believes the Company's liquidity position will remain sufficient to continue operations. The Company's working capital deficit as of June 30, 1991 is approximately $1,339,951; however, included as a current liability are $857,500 of Debentures which may be subject to rescission. No claims have been made by Debentureholders for rescission, and the Company does not expect such claims in the future. Therefore, Management believes the effective working capital deficit is only $482,451.

As the Consolidated Statements of Operations discloses, during fiscal year 1991 the Company incurred a loss of $1,889,350. For the three (3) months ended June 30, 1991, the Company has incurred a loss of $510,554. Expenses for the three (3) months ended June 30, 1991 principally consisted of expenses related to Isolite.

$624,000 of such expenses represent costs of goods sold, representing the cost of Isolite to the Company. $283,078 of the expenses represent marketing and promotional expenses incurred in the offer and sale of the Distributorships and Isolite. General and Administrative costs are $521,645; most of which was attributable to the development of the distribution system.

During fiscal year 1991, the Company's cash requirements increased substantially. This trend continued for the three months ending June 30, 1991. This has been the result of the dramatic expansion of the Company, primarily due to the development of a marketing and distribution system for Isolite.

As indicated by the Statement of Cash Flows, net cash used in operations for the three (3) months ended June 30, 1991 was $215,169. This increased significantly from the same period ended June 30, 1990. This was principally the result of the Company's extensive efforts in establishing its distributorship network for Isolite and incurred marketing expenses. As a result, the Company was required to raise extensive cash from financing activities.

Operations continue to be net users of cash. Cash provided by financing activities has been the principal supplier of cash for the Company. As marketing of Isolite in the United States is in its initial phases, there can be no assurance that revenues from product sales will be sufficient to meet expenses. Thus, the Company may find it necessary to continue to raise cash through financing activities to support its operations.

Capital Resources

As of June 30, 1991, the Company has no firm material commitments for capital expenditures. It is the intent of management of the Company to continue with the development and expansion of its marketing and distribution program for Isolite. Management believes in order for the Company to obtain profitable operations, it must continue to expand such marketing and distribution program for Isolite without significantly increasing its operating overhead. Management believes it will be able to continue expansion of its marketing and distribution program for Isolite through sales of Isolite by its Distributors as well as internally attempting to generate sales of Isolite to large retail and end users without expansion of its staff or facilities. Management does not intend to incur any material capital expenditures unless sufficient capital resources are available or reasonably anticipated to be available to satisfy commitments for such capital expenditures.

For the three (3) months ended June 30, 1991, the Company realized significant revenues in the amount of $1,012,576. It is Management's anticipation that this level of revenues will increase. The three (3) month period ending June 30, 1991, represents the first period in the Company's history it has realized significant revenues from operations. Historically, the Company had relied principally upon the sale of debt and equity securities for capital resources.

Results of Operations

The three (3) month period ended June 30, 1991 represents the first period which the Company has realized substantial revenues. Historically, the Company's revenues for the year ended March 30, 1990 was $12,013, for the year ended March 31, 1991 was $105,855, and for the three (3) month period ending June 30, 1991 was $1,012,576. Of this amount, product sales consisting of Isolite accounted for $770,100, with license fees of $224,500. The reason for the dramatic increase in revenues during the three (3) month period ended June 30, 1991 was that the Company did not begin marketing distributorships for Isolite until the fourth quarter of fiscal year 1991 (January 1, 1991 through March 31, 1991). As a result, the Company received some revenues from the sale of Distributorships and from the sale of Isolite during the fourth quarter of fiscal year 1991. However, as a result of the Company's planning during fiscal year 1991, significant sales of Distributorships and sales of Isolite occurred during the three (3) month period ended June 30, 1991. Each Distributor, upon entering into a Distributorship Agreement with the Company is required to pay a $5,000 license fee and to purchase an initial order of $25,000 of Isolite. Thus, the sudden surge in sales of Isolite and Distributorships was the result of the implementation of planning which occurred during fiscal year 1991. Further, the Distributorships require ongoing purchases of minimum quantities of Isolite. For such reason, the Company anticipates the receipt of continued revenues from the sale of Isolite.

Although the Company has experienced significant revenues for the three (3) month period ended June 30, 1991, the Company operated at an overall loss of $510,554. The single largest expense represents costs of goods sold of Isolite of $624,000. General and administrative costs were second at $521,145 and were related to establishment of the Isolite distributor network. Management of the Company has targeted General and Administrative Expenses as one of the principal areas attempting to reduce costs and expenses. Marketing and promotional expenses related to Isolite were $283,078.

Management believes that it is establishing initial name recognition from Isolite. Management believes that it is achieving penetration of Isolite into the golf market which will, in turn, establish market recognition for the product. This is anticipated to lead to accelerated penetration in all markets as typically, when a turf product is accepted by a high profile group, such as golf courses, it becomes a recognized product. Although costs of goods sold is approximately three-fourths of sales revenues, management does not believe this ratio will change significantly. Management does believe that as sales increase, other expenses consisting of general and administrative expense and marketing and promotional expense will not continue to increase, thus ultimately resulting in profitable operations.

Management anticipates the Company will experience an overall operating loss for fiscal year 1992. Management anticipates that if revenues continue their upward swing and Management is able to successfully reduce its costs and expenses, fiscal year 1993 would result in an operating profit for the Company.

Management believes that inflation has virtually no impact upon the Company's net sales, revenues or income from continuing operations nor is it expected in the immediate future to have any significant impact.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to Item 3 of Form 10-K for the fiscal year ending March 31, 1991 for a description of legal proceedings. No material developments in such legal proceedings have occurred for the quarterly period ended June 30, 1991.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

INNOVA CORPORATION

William D. Leary, President

Dated: June 19, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:
William D. Leary, President, Treasurer, and Director

By:
Robert B. Lange, Chairman of the Board of Directors

By:
Roy Parker, Vice President, Secretary and Director

By: Charles "Vic" Kline
Charles "Vic" Kline, Director

By: Seth C. Hunt
Seth Hunt, Director

By:
Dr. John Hernandez, Director

INNOVA CORPORATION AND SUBSIDIARIES
(Formerly NEW GOLF CONCEPTS, INC.)
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1991 (unaudited)	MARCH 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	282,345	314,474
Accounts receivable, with no allowance deemed necessary	28,739	680
Notes receivable:		
Distributors	12,500	67,500
Employees	12,000	7,000
Inventory	183,600	260,060
Prepaids	40,546	8,000
Current assets of discontinued operations	35,461	17,200
Total current assets	595,191	674,914
PROPERTY AND EQUIPMENT:		
Equipment, net of accumulated depreciation	65,204	50,744
Partially developed golf course	223,000	223,000
OTHER ASSETS:		
Deferred Debenture Costs, net	27,500	30,000
Deposits and other	28,806	2,460
Assets of discontinued operations	32,272	22,400
	971,973	1,003,518
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	134,004	136,033
Accrued interest	74,191	51,000
Other accrued expenses	70,074	-
Debentures	857,500	670,000
Deferred revenue, distributors	601,139	427,500
Current liabilities of discontinued operations	198,234	186,600
Total current liabilities	1,935,142	1,471,133
NOTES PAYABLE	209,000	209,000
COMMON STOCK LIABILITY	340,000	360,000
STOCKHOLDERS' (DEFICIT)		
Common stock, no par value 100,000,000 shares authorized; 16,146,500 and 15,796,500 shares issued and outstanding, respectively	1,043,059	1,008,059
Additional paid in capital	330,983	330,983
Accumulated deficit	(2,886,211)	(2,375,657)
Total stockholders' (deficit)	(1,512,169)	(1,036,615)
	971,973	1,003,518

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE 3 MONTHS ENDED JUNE 30	
	1991	1990
REVENUES		
Product sales	770,100	28
License fees	224,500	-
Interest and other	17,976	-
Total revenues	1,012,576	28
COSTS AND EXPENSES		
Cost of Goods Sold	624,000	5
Marketing and promotional	283,078	30,896
Issuance of stock for services	15,000	44,600
Interest	23,191	-
General and administrative costs	521,645	110,832
Total expenses	1,466,914	186,333
LOSS FROM OPERATIONS BEFORE DISCONTINUED OPERATIONS	(454,338)	(186,305)
DISCONTINUED OPERATIONS:		
Operating (loss)	(56,216)	-
	(56,216)	0
NET LOSS	(510,554)	(186,305)
NET LOSS PER COMMON SHARE		
Continued Operations	(0.03)	(0.02)
Discontinued Operations	(0.01)	0.00
SHARE	(0.04)	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	16,066,000	10,322,568

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FROM APRIL 1, 1991 THROUGH JUNE 30, 1992
(Unaudited)

	COMMON STOCK		PREFERRED STOCK			DEFICIT ACCUMULATED DURING
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	DEVELOPMENT STAGE
BALANCE, April 1, 1991	15,796,500	1,008,059	-	-	330,983	(2,375,657)
Shares issued for cash (unaudited)						
Others	300,000	20,000	-	-	-	-
Shares issued for services (unaudited)						
Employees	150,000	15,000	-	-	-	-
Net loss	-	-	-	-	-	(510,554)
BALANCE, June 30, 1992	16,146,500	1,043,059	0	0	330,983	(2,886,211)

INNOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	FOR THE 3 MONTHS ENDED	
	JUNE 30, 1991	JUNE 30, 1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(510,554)	(186,305)
Adjustments to reconcile net loss to net cash by operating activities:		
Stock for services	-	44,600
Depreciation	5,000	2,920
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(28,058)	731
Notes Receivable	50,000	-
Inventories	76,460	5
Prepaids	(32,546)	-
Other assets	(23,846)	(4,537)
Assets of discontinued operations	(28,133)	-
Increase (decrease) in:		
Accounts payable	(2,030)	(19,405)
Notes payable - related parties		
Deferred revenue	173,639	-
Other liabilities	-	44,519
Accrued expenses	93,265	-
Liabilities of discontinued operations	11,634	-
Net cash used by operating activities	(215,169)	(117,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(19,460)	(4,772)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debentures, net	187,500	20,000
Proceeds from issuance of common stock	35,000	-
Common stock liability	(20,000)	-
Net cash provided by financing activities	202,500	20,000
NET DECREASE IN CASH	(32,129)	(102,244)
CASH, beginning of year	314,474	133,918
CASH, end of year	282,345	31,674

INNOVA CORPORATION AND SUBSIDIARIES
(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL:

Management has elected to omit substantially all notes to the consolditated unaudited interim financial statements. Reference should be made to the Company's annual report on Form 10-K for the year ended March 31, 1991, as this report incorporates the notes to the Company's year-end financial statements.

2. UNAUDITED INTERIM INFORMATION:

The unaudited interim financial statements contain all necessary adjustments (consisting of only normal, recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim period presented. The results of operations for the interim periods are not necessarily indicative of those expected for the year.

4. STOCKHOLDERS' EQUITY:

Subsequent to March 31,1991, the Company issued an additional 1,120,749 (unaudited) shares to officers and employees, 100,000 shares to a director and 150,000 to others for services rendered during fiscal 1992. In addition, the Board has authorized the issuance of 150,000 shares to an employee. These shares will vest over two years.

Stock Option Plans - During the period ended September 30, 1991, the Company authorized the issuance of options to purchase 9,685,000 shares of common stock to officers, directors and employees at $.10 under the NQP. The options vest as follows:

MARCH 31,	OPTIONS
1992	2,515,000
1993	2,515,000
1994	2,515,000
1995	1,415,000
1996	725,000
	9,685,000

5. COMMITMENTS :

Supplier and Letter-of-Credit - There is only one supplier of Isolite, who also became the preferred stockholder in December 1991. The loss of their commitment to provide Isolite to the Company would adversely affect the Company's future operations; however, the Company has an exclusive contract to distribute Isolite in the United States until June 30, 1996. This supplier also requires the Company to maintain an irrevocable stand-by letter-of-credit with a bank for $350,000. Generally, this credit facility has been guaranteed by private investors for which the Company has paid guarantor fees.

6. GOLF COURSE FACILITY:

During 1991, the Company purchased a partially developed golf course in Palisade, Colorado. Pursuant to this purchase, the Company paid $5,000 and was obligated to pay an additional $290,000. Through March 1992, the Company can perform certain due diligence on the property and may recind this purchase. However, the Company intends to pursue the development of the property.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1991.
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 33-24470-D

INNOVA CORPORATION
(Exact name of Registrant as specified in its charter)

Colorado	84-0160181
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8670 Wolff Court, Suite 170, Westminster, CO 80030
(Address of principal executive offices)
(Zip Code)

(303) 426-4383
Registrant's telephone number including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ______ No X

The number of shares outstanding of the Issuer's Common Stock as of June 8, 1992 is 23,763,130 shares. L30

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Page F-1

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Although Innova Corporation's (the "Company") liabilities are significantly in excess of its assets, the Company believes its liquidity position to be satisfactory so as to permit the Company's continued operations. Of the current liabilities, the Debentures are carried as a $1,000,000 current liability. Originally, the Company sold $1,000,000 worth of 14% Convertible Debentures. The Debentures are 14% Convertible Debentures with interest payable at the rate of 14% per annum with the principal payable five years from the date of issue (May 1995 through July 1996). Three Hundred Fifty Thousand and no/100 Dollars ($350,000) of the Debentures were sold pursuant to a Private Placement Memorandum which, because of the existence of the outstanding warrants, may not have available an exemption from registration. Six Hundred Fifty Thousand and no/100 Dollars ($650,000) of the Debentures were sold pursuant to an effective Registration Statement. The Prospectus, however, inadvertently omitted the Company's Financial statements. Thus, as a result of these two factors, the full One Million Dollars ($1,000,000) of Debentures may be subject to rescission.

The Company's Balance Sheet discloses a liability in the amount of $663,778913,650 (September 30, 1991) as deferred revenue from Distributors. This represents advance payments by distributors for purchases of Isolite as of such date. Upon entry into a distributor agreement, each distributor must purchase an initial stocking inventory. Advance payment for such initial stocking inventory is required pursuant to the terms of the distributor agreement. Thereafter, payment for all product orders must be made by either wire transfer of funds, certified funds, cashier's check, or irrevocable bank letter of credit made in favor of the Company upon presentation of invoices and bills of lading. The Company utilizes this method of payment so as to avoid the situation of having ordered product on behalf of its distributors and then not having the distributor pay for the product. Management of the Company believes that such payment methods will favorably affect the Company's liquidity position.

Not all distributors have ordered product for delivery that equals their 50,000 pound purchase requirement. The principal reasons for this are: 1) They do not wish to warehouse the product, pay fees and increase their cost until several weeks of prospecting are complete; 2) They do not have their public warehouse set up; and 3) Freight on product is less expensive when shipped in full trailer load configuration. Most trailer loads represent approximately 40,000 pounds in product. As a result not all Distributors have fully satisfied their initial purchase requirements. As marketing of Isolite is still in the initial stages, the Company is continuing to work with its Distributors and is not requiring strict compliance with all minimum purchase requirements.

The Company's liquidity position has worsened the past six (6) months. As of March 31, 1991, the Company had a cash position of $314,474 and an inventory position in Isolite of approximately $176,000 (at cost), with $427,500 in deferred revenues, which include the Company's markup. As of September 30, 1991, the Company's cash position was $9,969, and an inventory position in Isolite of approximately $280,876, with deferred revenues of $663,778. Historically, the Company's expenditures have always been in excess of revenues, and thus the Company's liquidity position has historically been weak. The Company incurred significant expenses with respect to the sale of Isolite Distributorships. As part of the Company's establishment of its distribution network, a significant number of employees were hired and significant expenses were incurred in marketing and selling the distributorships.

Although Management expects the Company to continue operating at a loss through the fourth quarter of fiscal year 1992, Management believes the Company's liquidity position will remain sufficient to continue operations. The Company's working capital deficit as of ~~September~~ 30, 1991 is approximately $1,707,000; however, included as a current liability are $1,000,000 of Debentures which may be subject to rescission. No claims have been made by Debentureholders for rescission, and the Company does not expect such claims in the future. Therefore, Management believes the effective working capital deficit is only $707,000.

As the Consolidated Statements of Operations discloses, during fiscal year 1991 the Company incurred a loss of $1,889,350. For the six (6) months ended September 30, 1991, the Company has incurred a loss of $1,084,748. Expenses for the six (6) months ended September 30, 1991 principally consisted of expenses related to Isolite. $1,327,077 of such expenses represent costs of goods sold, representing the cost of Isolite to the Company. $740,707 of the expenses represent marketing and promotional expenses incurred in the offer and sale of the Distributorships and Isolite. General and Administrative costs are $901,399; most of which was attributable to the development of the distribution system. Management of the Company has targeted this area as one of the principal areas in an attempt to obtain cost reductions.

Discontinued operations represent the sale of the Exceller Program subsidiary of the Company. Operating losses prior to the sale were $213,000. As a result of the sale of Exceller, the Company realized a gain in the amount of $213,000 by virtue of the buyer assuming liabilities of Exceller. The Company has no liability for the liabilities of Exceller incurred prior to its sale.

During fiscal year 1991, the Company's cash requirements increased substantially. This trend has continued for the six (6) months ending September 30, 1991. This has been the result of the dramatic expansion of the Company, primarily due to the development of a marketing and distribution system for Isolite. The number of employees of the Company increased from seven (7) full-time employees to thirty-three (33) full-time employees. A substantial cash demand was placed upon the Company. This cash demand was met principally through the sale of Debentures and the receipt of revenues.

As indicated by the Statement of Cash Flows, net cash used in operations for the six (6) months ended September 30, 1991 was $638,095. This was principally the result of the Company's extensive efforts in establishing its distributorship network for Isolite and incurred marketing expenses.

Operations continue to be net users of cash. Cash provided by financing activities has been, until fiscal year 1992, the principal supplier of cash for the Company. This fiscal year has seen the realization of significant revenues of $2,077,855 as of September 30, 1991. However, during such period of time, expenses also increased significantly, such that cash from financing activities in a significant amount was still required. While Management anticipates the Company will continue to grow, Management has determined that it is necessary to cut expenses particularly in the general and administrative area if the Company is to obtain profitable operations. Management's objectives for fiscal year 1993 are to achieve profitable operations based on the sale of Isolite. However, as has been noted, as marketing of Isolite in the United States is in its initial phases, there can be no assurance that revenues from product sales will be sufficient to meet expenses. Thus, the Company may find it necessary to continue to raise cash through financing activities to support its operations.

Capital Resources

As of September 30, 1991, the Company has no firm material commitments for capital expenditures. It is the intent of management of the Company to continue with the development and expansion of its marketing and distribution program for Isolite. Management believes in order for the Company to obtain profitable operations, it must continue to expand such marketing and distribution program for Isolite without significantly increasing its operating overhead. Management believes it will be able to continue expansion of its marketing and distribution program for Isolite through sales of Isolite by its Distributors as well as internally attempting to generate sales of Isolite to large retail and end users without expansion of its staff or facilities. Management does not intend to incur any material capital expenditures unless sufficient capital resources are available or reasonably anticipated to be available to satisfy commitments for such capital expenditures.

For the six (6) months ended September 30, 1991, the Company realized significant revenues in the amount of $2,077,855. Historically, the Company had relied principally upon the sale of debt and equity securities for capital resources. Although Management anticipates revenues to continue, Management believes that it may be necessary to raise additional capital through debt or equity financing.

Results of Operations

Historically, the Company's revenues for the year ended March 30, 1990 was $12,013, for the year ended March 31, 1991 was $105,855, and for the six (6) month period ending September 30, 1991 was $2,077,855. Of this amount, product sales consisting of Isolite accounted for $1,711,023, with license fees of $343,038. The reason for the dramatic increase in revenues during the six (6) month period ended September 30, 1991 was that the Company did not begin marketing distributorships for Isolite until the fourth quarter of fiscal year 1991 (January 1, 1991 through March 31, 1991). As a result, the Company received some revenues from the sale of Distributorships and from the sale of Isolite during the fourth quarter of fiscal year 1991. However, as a result of the Company's planning during fiscal year 1991, significant sales of Distributorships and sales of Isolite occurred during the six (6) month period ended September 30, 1991. Distributorships representing 87% of the country have been sold to Distributors; therefore, the Company does not anticipate the receipt of any further significant revenues from the sale of Distributorships. Each Distributor, upon entering into a Distributorship Agreement with the Company is required to pay a $5,000 license fee and to purchase an initial order of $25,000 of Isolite. Thus, the sudden surge in sales of Isolite and Distributorships was the result of the implementation of planning which occurred during fiscal year 1991. Further, the Distributorships require ongoing purchases of minimum quantities of Isolite. For such reason, the Company anticipates the receipt of continued revenues from the sale of Isolite.

Although the Company has experienced significant revenues for the six (6) month period ended September 30, 1991, the Company operated at an overall loss of $1,084,748. The single largest expense represents costs of goods sold of Isolite of $1,711,023. General and Administrative costs were second at $901,399 related to establishment of the Isolite distributor network. Management of the Company has targeted General and Administrative Expenses as one of the principal areas attempting to reduce costs and expenses. Marketing and promotional expenses related to Isolite were $740,707. Management of the Company anticipates a reduction in these expenses as a significant amount of these expenses were related to advertising and marketing of the Distributorships which have now been sold.

Management believes that it has established initial name recognition from Isolite. Management believes that it has achieved penetration of Isolite into the golf market which will, in turn, establish market recognition for the product. This is anticipated to lead to accelerated penetration in all markets as typically, when a turf product is accepted by a high profile group, such as golf courses, it becomes a recognized product. Although costs of goods sold is approximately three-fourths of sales revenues, management does not believe this ratio will change significantly. Management does believe that as sales increase, other expenses consisting of general and administrative expense and marketing and promotional expense will not continue to increase, thus ultimately resulting in profitable operations.

During the quarter ending September 30, 1991, the Company sold its subsidiary, Exceller Programs. Operating losses prior to the sale were $213,000. Exceller Programs was incurring operational losses. The Company had determined to devote substantially all of its resources to the development, marketing and distribution system for Isolite. Management of the Company determined that it was unable to devote the time and resources to development of Exceller Programs and thus determined that it was in the best interest of the Company to sell Exceller Programs. Management believes that its decision to sell Exceller Programs was favorable to operations as thus the Company's resources would not be subject to the demands of Exceller Programs. The Company has no liability for any of the liabilities of Exceller Programs whether incurred prior to or subsequent to the sale.

Management anticipates the Company will experience an overall operating loss for fiscal year 1992. Management anticipates that if revenues continue their upward swing and Management is able to successfully reduce its costs and expenses, fiscal year 1993 would result in an operating profit for the Company.

Management believes that inflation has virtually no impact upon the Company's net sales, revenues or income from continuing operations nor is it expected in the immediate future to have any significant impact.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to Item 3 to Form 10-K for the fiscal year ending March 31, 1991 for a full description of legal proceedings. No material developments in such legal proceedings have occurred for the quarterly period ended September 30, 1991..

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

During the quarter ended September 30, 1991, the Company held its Annual Meeting of Shareholders. The only matter submitted for approval of the shareholders was the election of Directors. The following persons were elected to the Board of Directors of the Company:

William D. Leary
Robert B. Lange
Roy Parker
Seth Hunt
Charles "Vic" Kline
Dr. John Hernandez

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOVA CORPORATION

____
William D. Leary, President

Dated: ______________________

ASSIGNMENT AND ACCEPTANCE

For value received MARK C. CAMPBELL and MARY ANN CAMPBELL, assignors, hereby assign all their rights, title and interest in and to the within Lease unto ACM VENTURES, INC., a Colorado Corporation, assignee, its heirs and assigns, with the express understanding and agreement that the said assignors shall be and remain liable for the full payment of the rent reserved and the performance of all the covenants and agreements made in said Lease by the lessee therein named, and will pay said rent and fully perform said covenants and agreements in case said assignee shall fail so to do; and in consideration of this assignment the said assignee hereby assumes and agrees to make all the payments and perform all the covenants and agreements in said Lease contained, by the lessee therein agreed to be made and performed.

Witness my hand this ____ day of ___________, 1992.

____
Mark C. Campbell

____
Mary Ann Campbell

CONSENT OF ASSIGNMENT

Consent to the assignment of the within Lease to ACM VENTURES, INC., a Colorado Corporation, is hereby given, on the express condition, however, that the assignors shall remain liable for the prompt payment of the rent and performance of the covenants on the part of the lessee as herein mentioned, and that no further assignment of said Lease or sub-letting of the premises or any part thereof shall be made without further written assent first had thereto. Consent is hereby given for ACM VENTURES, INC., a Colorado Corporation, to apply for a Hotel and Restaurant class liquor license.

Witness my hand this _____ day of ___________, 1992.

____
Barbara M. Hadley

INNOVA CORPORATION AND SUBSIDIARIES
(Formerly NEW GOLF CONCEPTS, INC.)
CONSOLIDATED BALANCE SHEETS

	SEPT 30, 1991 (unaudited)	MARCH 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	9,969	314,474
Accounts receivable, with no allowance deemed necessary	65,554	680
Notes receivable:		
Distributors	12,500	67,500
Employees	12,000	7,000
Inventory	280,876	260,060
Prepaids	40,546	8,000
Current assets of discontinued operations	-	17,200
Total current assets	421,445	674,914
PROPERTY AND EQUIPMENT:		
Equipment, net of accumulated depreciation	90,866	50,744
Partially developed golf course	223,000	223,000
OTHER ASSETS:		
Deferred Debenture Costs, net	26,500	30,000
Deposits and other	2,981	2,460
Assets of discontinued operations	-	22,400
	764,792	1,003,518
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	259,253	136,033
Accrued interest	105,945	51,000
Other accrued expenses	99,392	-
Debentures	1,000,000	670,000
Deferred revenue, distributors	663,778	427,500
Current liabilities of discontinued operations	-	186,600
Total current liabilities	2,128,368	1,471,133
NOTES PAYABLE	209,000	209,000
COMMON STOCK LIABILITY	-	360,000
PARTNERSHIP INTEREST LIABILITY	205,000	-
STOCKHOLDERS' (DEFICIT)		
Common stock, no par value 100,000,000 shares authorized; 21,284,374, 15,796,500 shares issued and outstanding, respectively	1,556,846	1,008,059
Additional paid in capital	125,983	330,983
Accumulated deficit	(3,460,405)	(2,375,657)
Total stockholders' (deficit)	(1,777,576)	(1,036,615)
	764,792	1,003,518

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE 3 MONTHS ENDED SEPTEMBER 30		FOR THE 6 MONTHS ENDED SEPTEMBER 30	
	1991	1990	1991	1990
REVENUES				
Product sales	940,923	6,020	1,711,023	6,048
License fees	118,538	-	343,038	-
Interest and other	5,818	-	23,794	-
Total revenues	1,065,279	6,020	2,077,855	6,048
COSTS AND EXPENSES				
Cost of Goods Sold	703,077	3,093	1,327,077	3,098
Marketing and promotional	457,629	47,810	740,707	78,706
Issuance of stock for services	122,075	-	137,075	44,600
Interest	33,154	4,901	56,345	4,901
General and administrative costs	379,754	179,786	901,399	290,618
Total expenses	1,695,689	235,590	3,162,603	421,923
LOSS FROM OPERATIONS BEFORE DISCONTINUED OPERATIONS	(630,410)	(229,570)	(1,084,748)	(415,875)
DISCONTINUED OPERATIONS:				
Operating (loss)	(156,784)	-	(213,000)	-
Gain on sale	213,000	-	213,000	-
	56,216	0	0	0
NET LOSS	(574,194)	(229,570)	(1,084,748)	(415,875)
NET LOSS PER COMMON SHARE				
Continued Operations	(0.03)	(0.02)	(0.06)	(0.03)
Discontinued Operations	0.01	0.00	0.00	0.00
SHARE	(0.02)	(0.02)	(0.06)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	18,705,865	12,000,000	17,367,959	12,000,000

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FROM APRIL 1, 1991 THROUGH SEPT 30, 1992
(Unaudited)

	COMMON STOCK		PREFERRED STOCK			DEFICIT ACCUMULATED DURING
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	DEVELOPMENT STAGE
BALANCE, April 1, 1991	15,796,500	1,008,059	-	-	330,983	(2,375,657)
Shares issued for cash						
Directors	300,000	30,000	-	-	-	-
Distributors	217,125	21,712	-	-	-	-
Others	200,000	20,000	-	-	-	-
Shares issued for services						
Directors	3,500,000	350,000	-	-	-	-
Employees	1,120,749	112,075	-	-	-	-
Others	150,000	15,000	-	-	(205,000)	
Net loss	-	-	-	-	-	(1,154,748)
BALANCE, Sept 30, 1992	21,284,374	1,556,846	0	0	125,983	(3,530,405)

SONOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	FOR THE 6 MONTHS ENDED	
	SEPT 30, 1991	SEPT 30, 1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(1,084,748)	(415,875)
Adjustments to reconcile net loss to net cash by operating activities:		
Stock for services	137,075	44,600
Depreciation	8,000	4,920
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(64,874)	2,618
Notes Receivable	50,000	4,537
Inventories	(20,816)	1,003
Prepaids	(32,546)	(10,000)
Other assets	2,979	(4,537)
Assets of discontinued operations	39,600	-
Increase (decrease) in:		
Accounts payable	123,220	46,520
Notes payable - related parties		-
Deferred revenue	236,278	-
Other liabilities	54,945	25,391
Accrued expenses	99,392	-
Liabilities of discontinued operations	(186,600)	-
Net cash used by operating activities	(638,095)	(300,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(48,122)	(12,995)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debentures, net	330,000	350,000
Proceeds from issuance of common stock	71,712	-
Common stock liability	(20,000)	(57,100)
Net cash provided by financing activities	381,712	292,900
NET INCREASE IN CASH	(304,505)	(20,918)
CASH, beginning of year	314,474	133,918
CASH, end of year	9,969	113,000
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	2,000	-
Golf course purchased (abandoned) for debt	-	-
Issuance of common stock for common stock and partnership interest	-	-

INNOVA CORPORATION AND SUBSIDIARIES
(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL:

Management has elected to omit substantially all notes to the consolditated unaudited interim financial statements. Reference should be made to the Company's annual report on Form 10-K for the year ended March 31, 1991, as this report incorporates the notes to the Company's year-end financial statements.

2. UNAUDITED INTERIM INFORMATION:

The unaudited interim financial statements contain all necessary adjustments (consisting of only normal, recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim period presented. The results of operations for the interim periods are not necessarily indicative of those expected for the year.

3. DEBENTURES:

During December 1991, debenture holders of $463,000 of debentures (plus approximately $40,000 of accrued interest) agreed to convert their debentures and interest into approximately 2,012,000 shares of common stock, these shares have not yet been issued by the Company.

4. STOCKHOLDERS' EQUITY:

Subsequent to March 31,1991, the Company issued an additional 1,120,749 (unaudited) shares to officers and employees, 100,000 shares to a director and 150,000 to others for services rendered during fiscal 1992. In addition, the Board has authorized the issuance of 150,000 shares to an employee. These shares will vest over two years.

Stock Option Plans - During the period ended September 30, 1991, the Company authorized the issuance of options to purchase 9,685,000 shares of common stock to officers, directors and employees at $.10 under the NQP. The options vest as follows:

MARCH 31,	OPTIONS
1992	2,515,000
1993	2,515,000
1994	2,515,000
1995	1,415,000
1996	725,000
	9,685,000

Distributor Stock - As part of the Company's agreement with its distributor of Isolite, it has agreed to issue up to 250,000 shares of common stock, of which 217,125 shares have been issued through September 30, 1991. The Company also has authorized options to distributors to purchase up to 3,375,000 shares of common stock at $.50 per share, provided certain sales quotas are achieved.

INNOVA CORPORATION AND SUBSIDIARIES
(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. COMMITMENTS :

Exceller - During 1991, the Company sold to a limited partnership, of which Exceller was the general partner, an aggregate 5.125% future revenue interest in its golf school for $205,000. As of March 31, 1991, this transaction has been recorded as a contribution to Exceller's equity rather than as a sale of a revenue interest because Exceller's was a development stage company. A Director of the Company purchased $20,000 of this interest. As a result of the sale of Exceller (see below) the Company expects to make a formal offer to purchase this interest for shares of the Company's common stock. However, the exchange rate for shares to be offered to purchase this interest has not been determined. Therefore, the $205,000 has been recorded as "Partnership interest liability" as of September 30, 1991.

In October 1991, the Company sold for a $150,000, 6% note, its common stock ownership of Exceller to employees of Exceller. The note is due over an extended period beginning in May 1992, and is collateralized only by the common stock of Exceller. This sale resulted in a gain as the new owners assumed the obligations of Exceller. The $150,000 note has not been recored as an asset of the Company, and payments on the note will be recognized as income when received by the Company.

5. COMMITMENTS AND CONTINGENCY(continued):

Supplier and Letter-of-Credit - There is only one supplier of Isolite, who also became the preferred stockholder in December 1991. The loss of their commitment to provide Isolite to the Company would adversely affect the Company's future operations; however, the Company has an exclusive contract to distribute Isolite in the United States until June 30, 1996. This supplier also requires the Company to maintain an irrevocable stand-by letter-of-credit with a bank for $350,000. Generally, this credit facility has been guaranteed by private investors for which the Company has paid guarantor fees.

6. GOLF COURSE FACILITY:

During 1991, the Company purchased a partially developed golf course in Palisade, Colorado. Pursuant to this purchase, the Company paid $5,000 and was obligated to pay an additional $290,000. Through March 1992, the Company can perform certain due diligence on the property and may recind this purchase. However, the Company intends to pursue the development of the property.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

INNOVA CORPORATION

William D. Leary, President

Dated: June 19, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:
William D. Leary, President, Treasurer, and Director

By:
Robert B. Lange, Chairman of the Board of Directors

By: Roy Parker
Roy Parker, Vice President, Secretary and Director

By: Charles "Vic" Kline
Charles "Vic" Kline, Director

By: Seth C. Hunt
Seth Hunt, Director

By:
Dr. John Hernandez, Director

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1991.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 33-24470-D

INNOVA CORPORATION
(Exact name of Registrant as specified in its charter)

Colorado	84-0160181
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8670 Wolff Court, Suite 170, Westminster, CO 80030
(Address of principal executive offices) (Zip Code)

REC'D S.E.C.
JUN 23 1992
148

(303) 426-4383
Registrant's telephone number including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ______ No __X__

The number of shares outstanding of the Issuer's Common Stock as of June 8, 1992 is 23,763,130 shares.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Page F-1

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Although Innova Corporation's (the "Company") liabilities are significantly in excess of its assets, the Company believes its liquidity position to be satisfactory so as to permit the Company's continued operations. Of the current liabilities, the 14% Convertible Debentures are carried as a $542,500 current liability and a $457,500 Common Stock liability. Originally, the Company sold $1,000,000 worth of 14% Convertible Debentures. Debentureholders holding Four Hundred Fifty-Seven Thousand, Five-Hundred and no/100 Dollars ($457,500) of such Debentures had advised the Company of their desire to convert to Common Stock of the Company. As of the date of this Report, such Common Stock has not been issued to the converting Debentureholders. The Debentures are 14% Convertible Debentures with interest payable at the rate of 14% per annum with the principal payable in five years from the date of issue (May 1995 through July 1996). Three Hundred Fifty Thousand and no/100 Dollars ($350,000) of the Debentures were sold pursuant to a Private Placement Memorandum which, because of the existence of the outstanding warrants, may not have available an exemption from registration. Six Hundred Fifty Thousand and no/100 Dollars ($650,000) of the Debentures were sold pursuant to an effective Registration Statement. The Prospectus inadvertently omitted the Company's Financial statements. Thus, as a result of these two factors, the full One Million Dollars ($1,000,000) of Debentures may be subject to rescission.

The Company's Balance Sheet discloses a liability in the amount of $913,550 (September 30, 1991) as deferred revenue from Distributors. This represents advance payments by distributors for purchases of Isolite as of such dates. Upon entry into a distributor agreement, each distributor must purchase an initial stocking inventory. Advance payment for such initial stocking inventory is required pursuant to the terms of the distributor agreement. Thereafter, payment for all product orders must be made by either wire transfer of funds, certified funds, cashier's check, or irrevocable bank letter of credit made in favor of the Company upon presentation of invoices and bills of lading. The Company utilizes this method of payment so as to avoid the situation of having ordered product on behalf of its distributors and then not having the distributor pay for the product. Management of the Company believes that such payment methods will favorably affect the Company's liquidity position.

Not all distributors have ordered product for delivery that equals their 50,000 pound purchase requirement. The principal reasons for this are: 1) They do not wish to warehouse the product, pay fees and increase their cost until several weeks of prospecting are complete; 2) They do not have their public warehouse set up; and 3) Freight on product is less expensive when shipped in full trailer load configuration. Most trailer loads represent approximately 40,000 pounds in product. As a result not all Distributors have fully satisfied their initial purchase requirements. As marketing of Isolite is still in the initial stages, the Company is continuing to work with its Distributors and is not requiring strict compliance with all minimum purchase requirements.

The Company's liquidity position has fluctuated substantially over the past nine (9) months. As of March 31, 1991, the Company had a cash position of $314,474 and an inventory position in Isolite of approximately $176,000 (at cost), with $427,500 in deferred revenues, which include the Company's markup. As of December 31, 1991, the Company's cash position was $331,752, and an inventory position in Isolite of approximately $531,000, with deferred revenues of $913,650. Included as part of the cash as of December 31, 1991 is $250,000 which is required to be held as collateral for a $350,000 letter of credit required by the supplier of Isolite. Subsequent to December 31, 1991, the Company has obtained such collateral from third parties. During December 1991 the Company sold 10,000,000 shares of the Company's Series A Convertible Preferred Stock to Sumitomo Corporation and Sumitomo Corporation of America (collectively "Sumitomo") in exchange for $1,000,000 in cash. Historically, the Company's expenditures have always been in excess of revenues, and thus the Company's liquidity position has historically been weak. The Company incurred significant expenses with respect to the sale of Isolite Distributorships. As part of the Company's establishment of its distribution network, a significant number of employees were hired and significant expenses were incurred in marketing and selling the distributorships. Now, with most Distributorships for the United States sold, in an effort to reduce the Company's operating overhead, the Company has, during January of 1992, laid off eight (8) full-time employees. Management believes that this will help to reduce the Company's overhead so as to bring expenses in line with revenues. Management of the Company is continuing to review ways in which the Company's overhead may be reduced so as to allow the Company to operate on a profitable basis.

Although Management expects the Company to continue operating at a loss through the fourth quarter of fiscal year 1992, Management believes the Company's liquidity position will remain sufficient to continue operations. The Company's working capital deficit as of December 31, 1991 is approximately $1,442,000; however, included as a current liability are $1,000,000 of Debentures which may be subject to rescission. No claims have been [illegible] by Debentureholders for rescission, and the Company does not expect such claims in the future. Therefore, Management believes the effective working capital deficit is only $442,000.

As the Consolidated Statements of Operations discloses, during fiscal year 1991 the Company incurred a loss of $1,889,350. For the nine (9) months ended December 31, 1991, the Company has incurred a loss of $1,815,246. Expenses for the nine (9) months ended December 310, 1991 principally consisted of expenses related to Isolite. $1,620,140 of such expenses represent costs of goods sold, representing the cost of Isolite to the Company. $954,204 of the expenses represent marketing and promotional expenses incurred in the offer and sale of the Distributorships and Isolite. General and Administrative costs are $1,436,357; most of which was attributable to the development of the distribution system. Management of the Company has targeted this area as one of the principal areas in an attempt to obtain cost reductions. As described above, the Company has effectuated certain layoffs of employees and is reviewing other methods to reduce its general and administrative expenses.

Discontinued operations represent the sale of the Exceller Program subsidiary of the Company. Operating losses prior to the sale were $213,000. As a result of the sale of Exceller, the Company realized a gain in the amount of $213,000 by virtue of the buyer assuming liabilities of Exceller. The Company has no liability for the liabilities of Exceller incurred prior to its sale.

During fiscal year 1991, the Company's cash requirements increased substantially. This trend has continued for the nine (9) months ending December 31, 1991. This has been the result of the dramatic expansion of the Company, primarily due to the development of a marketing and distribution system for Isolite. The number of employees of the Company increased from seven (7) full-time employees to thirty-three (33) full-time employees, and was reduced to twenty-six (26) in January 1992. A substantial cash demand was placed upon the Company. This cash demand was met principally through the sale of Debentures, the receipt of revenues, and the sale of stock to Sumitomo.

As indicated by the Statement of Cash Flows, net cash used in operations for the nine (9) months ended December 31, 1991 was $1,450,567. This more than doubled from the same period ended December 31, 1990. This was principally the result of the Company's extensive efforts in establishing its distributorship network for Isolite and incurred marketing expenses. As a result, the Company was required to raise extensive cash from financing activities. Net cash provided by financing activities was $1,381,712; which, once again, more than double net cash provided from financing activities for the period ended December 31, 1990. $1,000,000 of such cash was realized from the proceeds of the sale of preferred

Sumitomo. The Company also realized net proceeds from the Debenture offering for the nine (9) month period offered December 31, 1991 of $330,000.

Operations continue to be net users of cash. Cash provided by financing activities has been, until fiscal year 1992, the principal supplier of cash for the Company. The nine (9) month period ended December 31, 1991 has seen the realization of significant revenues of approximately $2,400,000. However, during such period of time, expenses also increased significantly, such that cash from financing activities in a significant amount was still required. While Management anticipates the Company will continue to grow, Management has determined that it is necessary to cut expenses particularly in the general and administrative area if the Company is to obtain profitable operations. Management's objectives for fiscal year 1993 are to achieve profitable operations based on the sale of Isolite. However, as has been noted, as marketing of Isolite in the United States is in its initial phases, there can be no assurance that revenues from product sales will be sufficient to meet expenses. Thus, the Company may find it necessary to continue to raise cash through financing activities to support its operations.

Capital Resources

As of December 31, 1991, the Company has no firm material commitments for capital expenditures. It is the intent of management of the Company to continue with the development and expansion of its marketing and distribution program for Isolite. Management believes in order for the Company to obtain profitable operations, it must continue to expand such marketing and distribution program for Isolite without significantly increasing its operating overhead. Management believes it will be able to continue expansion of its marketing and distribution program for Isolite through sales of Isolite by its Distributors as well as internally attempting to generate sales of Isolite to large retail and end users without expansion of its staff or facilities. Management does not intend to incur any material capital expenditures unless sufficient capital resources are available or reasonably anticipated to be available to satisfy commitments for such capital expenditures.

For the nine (9) months ended December 31, 1991, the Company realized significant revenues in the amount of $2,419,461. It is Management's anticipation that this level of revenues will increase.

The ratio of the Company's current assets to current liabilities has improved slightly during the three (3) month period ended December 31, 1991. This is principally due to enhancement of the Company's cash position as the result of the sale of 10,000,000 shares of Series A Convertible Preferred Stock to Sumitomo in exchange for $1,000,000 in cash as well as the receipt of revenues from operations. In the event revenues continue at the current levels or increase, Management of the Company anticipates its current asset to current liability ratio will continue to improve.

Results of Operations

Historically, the Company's revenues for the year ended March 30, 1990 was $12,013, for the year ended March 31, 1991 was $105,855, and for the nine (9) month period ending December 31, 1991 was $2,419,461. Of this amount, product sales consisting of Isolite accounted for $2,046,794, with license fees of $343,038. The reason for the dramatic increase in revenues during the nine (9) month period ended December 31, 1991 was that the Company did not begin marketing distributorships for Isolite until the fourth quarter of fiscal year 1991 (January 1, 1991 through March 31, 1991). As a result, the Company received some revenues from the sale of Distributorships and from the sale of Isolite during the fourth quarter of fiscal year 1991. However, as a result of the Company's planning during fiscal year 1991, significant sales of Distributorships and sales of Isolite occurred during the nine (9) month period ended December 31, 1991. Distributorships representing 87% of the country have been sold to Distributors; therefore, the Company does not anticipate the receipt of any further significant revenues from the sale of Distributorships. Each Distributor, upon entering into a Distributorship Agreement with the Company is required to pay a $5,000 license fee and to purchase an initial order of $25,000 of Isolite. Thus, the sudden surge in sales of Isolite and Distributorships was the result of the implementation of planning which occurred during fiscal year 1991. Further, the Distributorships require ongoing purchases of minimum quantities of Isolite. For such reason, the Company anticipates the receipt of continued revenues from the sale of Isolite.

The Company's experience to date with respect to the Distributors meeting their minimum purchase requirements has been that approximately twenty-two percent (22%) of such Distributors have been unable to meet such minimum purchase requirements. Significant numbers of such Distributors which are unable to meet minimum purchase requirements are located in northern territories of the United States which experience severe winters. As the Company's product, Isolite, is related to turf use, during the harsh winter months there is virtually no outdoor demand for the product. Accordingly, such Distributors have had problems making sales in those areas of the country which experience severe winters. Management believes that penetration into the retail markets for indoor use will subsidize revenue to such Distributors during winter months. With respect to such Distributors which the Company believes are utilizing their best efforts to meet their minimum purchase requirements, the Company has agreed to modify the minimum purchase requirements rather than terminate the Distributor

Agreements. The Company is working with its Distributors in an effort to help the Distributors meet their minimum purchase requirements. Some Distributors have experienced a financial inability to meet their minimum purchase requirements and in such event, in most cases, the Company has again modified the minimum purchase requirements to assist its Distributors. In approximately three (3) cases, the Company has terminated its relationship with the Distributor and is reselling the territory. Although in certain areas of the country sales of Isolite are seasonal, the Company still expects its Distributors to ultimately satisfy their minimum purchase requirements.

Although the Company has experienced significant revenues for the nine (9) month period ended December 31, 1991, the Company operated at an overall loss of $1,815,246. The single largest expense represents costs of goods sold of Isolite of $1,620,140. General and Administrative costs were second at 1,436,357 related to establishment of the Isolite distributor network. Management of the Company has targeted General and Administrative Expenses as one of the principal areas attempting to reduce costs and expenses. Marketing and promotional expenses related to Isolite were $954,204. Management of the Company anticipates a reduction in these expenses as a significant amount of these expenses were related to advertising and marketing of the Distributorships which have now been sold.

Management believes that it has established initial name recognition from Isolite. Management believes that it has achieved penetration of Isolite into the golf market which will, in turn, establish market recognition for the product. This is anticipated to lead to accelerated penetration in all markets as typically, when a turf product is accepted by a high profile group, such as golf courses, it becomes a recognized product. Although costs of goods sold is approximately three-fourths of sales revenues, management does not believe this ratio will change significantly. Management does believe that as sales increase, other expenses consisting of general and administrative expense and marketing and promotional expense will not continue to increase, thus ultimately resulting in profitable operations.

Management anticipates the Company will experience an overall operating loss for fiscal year 1992. Management anticipates that if revenues continue their upward swing and Management is able to successfully reduce its costs and expenses, fiscal year 1993 would result in an operating profit for the Company.

Management believes that inflation has virtually no impact upon the Company's net sales, revenues or income from continuing operations nor is it expected in the immediate future to have any significant impact.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to Item 3 in Form 10-K for the fiscal year ending March 31, 1991 for a full description of legal proceedings. During the quarter ending December 31, 1991, no material developments in such litigation occurred.

Item 2. Changes in Securities

In December of 1991, the Company issued 10,000,000 shares of Series A Convertible Preferred Stock to Sumitomo Corporation and Sumitomo Corporation of America in exchange for $1,000,000. The Series A Convertible Preferred Stock is convertible at the rate of one (1) share of Preferred Stock into one (1) share of Common Stock, subject to certain limitations. The Series A Convertible Preferred Stock carries a liquidation preference in the aggregate of $1,000,000. The Series A Convertible Preferred Stock carries no dividend preference and no voting rights, other than the right to elect one member to the Company's Board of Directors.

In connection with the sale of the 10,000,000 shares of Series A Convertible Preferred Stock, the Company issued to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 15,000,000 Class C Warrants. Each Class C Warrant is convertible into one (1) share of Series A Convertible Preferred Stock at a price of $.25 per share.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

On December 2, 1991, a Special Meeting of the Shareholders of the Company was held to consider amending the Company's Articles of Incorporation so as to authorize the creation of Preferred Stock. The Shareholders unanimously approved the authorization for the establishment of Preferred Stock of the Company.

Item 5. Other Information

In December of 1991, the Company issued and sold to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 10,000,000 shares of Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into one (1) share of Common Stock at no cost to the holder. The right to convert the Series A Convertible Preferred Stock into Common Stock is subject to certain restrictions. The holders of the Series A Convertible Preferred Stock have the right to elect one member to the Company's Board of Directors.

In connection with the sale of the 10,000,000 shares of the Series A Convertible Preferred Stock, the Company issued to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 15,000,000 Class C Warrants. Each Class C Warrant is convertible into one (1) share of Series A Convertible Preferred Stock at a price of $.25 per share.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

INNOVA CORPORATION

William D. Leary, President

Dated: June 19, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:
William D. Leary, President, Treasurer, and Director

By:
Robert B. Lange, Chairman of the Board of Directors

By:
Roy Parker, Vice President, Secretary and Director

By: Charles "Vic" Kline
Charles "Vic" Kline, Director

By: Seth C. Hunt
Seth Hunt, Director

By:
Dr. John Hernandez, Director

INNOVA CORPORATION AND SUBSIDIARIES
(Formerly NEW GOLF CONCEPTS, INC.)
CONSOLIDATED BALANCE SHEETS

	DEC 31, 1991 (unaudited)	MARCH 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	331,572	314,474
Accounts receivable, with no allowance deemed necessary	62,484	680
Notes receivable:		
Distributors	-	67,500
Employees	12,000	7,000
Inventory	615,659	260,060
Prepaids	40,546	8,000
Current assets of discontinued operations	-	17,200
Total current assets	1,062,261	674,914
PROPERTY AND EQUIPMENT:		
Equipment, net of accumulated depreciation	94,791	50,744
Partially developed golf course	-	223,000
OTHER ASSETS:		
Deferred Debenture Costs, net	25,500	30,000
Deposits and other	18,244	2,460
Assets of discontinued operations	-	22,400
	1,200,796	1,003,518
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable	254,314	136,033
Payable - related parties	141,000	-
Accrued interest	98,434	51,000
Other accrued expenses	96,472	-
Debentures	542,500	670,000
Deferred revenue, distributors	913,650	427,500
Common stock liability - converted debentures	457,500	-
Current liabilities of discontinued operations	-	186,600
Total current liabilities	2,503,870	1,471,133
NOTES PAYABLE	-	209,000
COMMON STOCK LIABILITY	205,000	360,000
STOCKHOLDERS' (DEFICIT)		
Convertible preferred stock, no par value (stated value of $.005 per share), 50,000,000 shares authorized, 10,000,000 shares issued and outstanding liquidation preference of $1,000,000	50,000	-
Common stock, no par value 100,000,000 shares authorized; 21,284,374 and 15,796,500 and outstanding, respectively	1,556,846	1,008,059
Additional paid in capital	1,075,983	330,983
Accumulated deficit	(4,190,903)	(2,375,657)
Total stockholders' (deficit)	(1,508,074)	(1,036,615)
	1,200,796	1,003,518

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE 3 MONTHS ENDED DECEMBER 31		FOR THE 9 MONTHS ENDED DECEMBER 31	
	1991	1990	1991	1990
REVENUES				
Product sales	335,007	18,017	2,046,030	24,065
License fees	-	-	343,038	-
Interest and other	6,599	-	30,393	-
Total revenues	341,606	18,017	2,419,461	24,065
COSTS AND EXPENSES				
Cost of Goods Sold	293,063	13,780	1,620,140	16,878
Marketing and promotional	213,497	53,209	954,204	131,915
Issuance of stock for services	-	-	137,075	44,600
Interest	30,586	15,112	86,931	20,013
General and administrative costs	534,958	204,098	1,436,357	494,716
Total expenses	1,072,104	286,199	4,234,707	708,122
LOSS FROM OPERATIONS BEFORE DISCONTINUED OPERATIONS	(730,498)	(268,182)	(1,815,246)	(684,057)
DISCONTINUED OPERATIONS:				
Operating (loss)	-	(64,000)	(213,000)	(64,000)
Gain on sale	-	-	213,000	-
	0	(64,000)	0	(64,000)
NET LOSS	(730,498)	(332,182)	(1,815,246)	(748,057)
NET LOSS PER COMMON SHARE				
Continued Operations	(0.03)	(0.02)	(0.10)	(0.05)
Discontinued Operations	0.00	(0.01)	0.00	(0.01)
NET LOSS PER SHARE	(0.03)	(0.03)	(0.10)	(0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	21,284,375	13,500,000	18,682,153	13,500,000

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FROM APRIL 1, 1991 THROUGH DEC 31, 1992
(Unaudited)

	COMMON STOCK		PREFERRED STOCK		PAID-IN	DEFICIT ACCUMULATED DURING DEVELOPMENT
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	STAGE
BALANCE, April 1, 1991	15,796,300	1,008,059	-	-	330,983	(2,375,657)
Shares issued for cash						
Directors	300,000	30,000	-	-	-	-
Distributors	217,125	21,712	-	-	-	-
Others	200,000	20,000	-	-	-	-
Shares issued for services						
Directors	3,500,000	350,000	-	-	-	-
Employees	1,120,749	112,075	-	-	-	-
Others	150,000	15,000	-	-	(205,000)	
Preferred shares issued for cash	-	-	10,000,000	50,000	950,000	
Net loss	-	-	-	-	-	(1,815,246)
BALANCE, Dec 31, 1992	21,284,374	1,556,846	10,000,000	50,000	1,075,983	(4,190,903)

INNOVA CORPORATION AND SUBSIDIARIES
(formerly New Golf Concepts, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	FOR THE 9 MONTHS ENDED	
	DEC 31, 1991	DEC 31, 1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(1,815,246)	(748,057)
Adjustments to reconcile net loss to net cash by operating activities:		
Stock for services	137,075	44,600
Depreciation	11,000	7,420
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(61,804)	2,618
Notes Receivable	62,300	(463)
Inventories	(355,399)	(26,360)
Prepaids	(32,546)	(40,000)
Other assets	(11,284)	(4,537)
Assets of discontinued operations	39,600	-
Increase (decrease) in:		
Accounts payable	118,281	54,343
Notes payable - related parties	141,000	
Deferred revenue	486,150	-
Other liabilities	47,434	39,770
Accrued expenses	96,472	-
Liabilities of discontinued operations	(186,600)	-
Net cash used by operating activities	(1,323,567)	(670,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(35,047)	(16,937)
Abandonment of golf course development	14,000	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debentures, net	330,000	565,000
Proceeds from issuance of common stock	71,712	-
Proceeds from issuance of preferred stock	1,000,000	-
Common stock liability	(20,000)	(57,100)
Contributed Capital		205,000
Net cash provided by financing activities	1,381,712	712,900
NET INCREASE IN CASH	17,098	25,297
CASH, beginning of year	314,474	133,918
CASH, end of year	331,572	159,215
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	28,790	-
Golf course purchased (abandoned) for debt	(209,000)	-
Issuance of common stock for common stock and partnership interest	477,075	-

INNOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. GENERAL:

Management has elected to omit substantially all notes to the consolditated unaudited interim financial statements. Reference should be made to the Company's annual report on Form 10-K for the year ended March 31, 1991, as this report incorporates the notes to the Company's year-end financial statements.

2. UNAUDITED INTERIM INFORMATION:

The unaudited interim financial statements contain all necessary adjustments (consisting of only normal, recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim period presented. The results of operations for the interim periods are not necessarily indicative of those expected for the year.

3. DEBENTURES:

During December 1991, debenture holders of $463,000 of debentures (plus approximately $40,000 of accrued interest) agreed to convert their debentures and interest into approximately 2,012,000 shares of common stock, these shares have not yet been issued by the Company.

4. STOCKHOLDERS' EQUITY:

Subsequent to March 31,1991, the Company issued an additional 1,120,749 (unaudited) shares to officers and employees, 100,000 shares to a director and 150,000 to others for services rendered during fiscal 1992. In addition, the Board has authorized the issuance of 150,000 shares to an employee. These shares will vest over two years.

Preferred Shares - In December 1991, the Company sold to their supplier of Isolite and its U.S. subsidiary, 10,000,000 shares of preferred stock for $1,000,000. These shares are non-voting and dividends shall only be paid to the common shareholders, with no dividend preferences. The preferred shares have a liquidation preference of $1,000,000 and are convertible into common stock on a 1 for 1 basis. The preferred shareholders also received 15,000,000 Class C warrants. Each warrant entitles the holder to purchase one share of common stock at $.25 for a two year period through December 2, 1993. The preferred shareholders also have the right to join in or require, on a one-time basis, the Company to register the common shares underlying the preferred stock and warrants under the Securities Act of 1933 or 1934.

4. STOCKHOLDERS' EQUITY(continued):

Stock Option Plans - During the period ended September 30, 1991, the Company authorized the issuance of options to purchase 9,685,000 shares of common stock to officers, directors and employees at $.10 under the NQP. The options vest as follows:

MARCH 31,	OPTIONS
1992	2,515,000
1993	2,515,000
1994	2,515,000
1995	1,415,000
1996	725,000
	9,685,000

Distributor Stock - As part of the Company's agreement with its distributor of Izolite, it has agreed to issue up to 250,000 shares of common stock, of which 217,125 shares have been issued through December 31, 1991. The Company also has authorized options to distributors to purchase up to 3,375,000 shares of common stock at $.50 per share, provided certain sales quotas are achieved.

5. COMMITMENTS:

Exceller - During 1991, the Company sold to a limited partnership, of which Exceller was the general partner, an aggregate 5.125% future revenue interest in its golf school for $205,000. As of March 31, 1991, this transaction has been recorded as a contribution to Exceller's equity rather than as a sale of a revenue interest because Exceller's was a development stage company. A Director of the Company purchased $20,000 of this interest. As a result of the sale of Exceller (see below) the Company expects to make a formal offer to purchase this interest for shares of the Company's common stock. However, the exchange rate for shares to be offered to purchase this interest has not been determined. Therefore, the $205,000 has been recorded as "Partnership interest liability" as of December 31, 1991.

In October 1991, the Company sold for a $150,000, 6% note, its common stock ownership of Exceller to employees of Exceller. The note is due over an extended period beginning in May 1992, and is collateralized only by the common stock of Exceller. This sale resulted in a gain as the new owners assumed the obligations of Exceller. The $150,000 note has not been recored as an asset of the Company, and payments on the note will be recognized as income when received by the Company.

5. COMMITMENTS AND CONTINGENCY(continued):

Supplier and Letter-of-Credit - There is only one supplier of Isolite, who also became the preferred stockholder in December 1991. The loss of their commitment to provide Isolite to the Company would adversely affect the Company's future operations; however, the Company has an exclusive contract to distribute Isolite in the United States until June 30, 1996. This supplier also requires the Company to maintain an irrevocable stand-by letter-of-credit with a bank for $350,000. In prior periods and subsequent to December 31, 1991, this credit facility has been guaranteed by private investors for which the Company has paid guarantor fees. As of December 31, 1991, the Company has used $250,000 of their cash to guarantee a portion fo the credit facility, however as discussed above the amount was susequently released.

6. GOLF COURSE FACILITY:

During 1991, the Company purchased a partially developed golf course in Palisade, Colorado. Pursuant to this purchase, the Company paid $5,000 and was obligated to pay an additional $290,000. Through March 1992, the Company can perform certain due diligence on the property and may recind this purchase. Based upon the Company's negative working capital and its present intent to focus its primary efforts on further development of the market for Isolite, the Company currently does not expect to pursue development of the golf facility. Therefore, the obligation and related asset have been removed from the financial statements as of November 30, 1991. The Company believes it has no further financial obligations in connection with this project.

7. PAYABLE - Related Parties:

As of December 31, 1991, the Company has two notes totaling $77,000 to officers, which represent advances made by third parties to the officers. The notes are due on demand, without collateral at 6%. In addition, other persons generally related to the Company have advanced $64,000 to the Company for notes which have not yet been prepared. The Company expects these advances will be converted into notes similar to the notes to other related parties.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MAY 15 1992

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992 or

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-19239

PROCESSED BY L30
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LAW COMPANIES GROUP, INC.
(Exact name of registrant as specified in its charter)

Georgia	58-0537111
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1000 Abernathy Road, N.E., Atlanta, Georgia 30328
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (404) 396-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

The number of shares of Common Stock of the Company, par value $1.00 per share, outstanding at April 30, 1992, was 94,725.

The number of shares of Class A Stock of the Company, par value $10.00 per share, outstanding at April 30, 1992, was 2,593,115.

TOTAL PAGES: 14
EXHIBIT INDEX: 12

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
LAW COMPANIES GROUP, INC.
(in thousands)

	March 31 1992	December 31 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,824	$ 7,706
Restricted cash	1,957	2,582
Billed fees receivable, net of allowance	79,036	70,963
Unbilled work in progress	14,467	26,147
Other receivables	2,513	2,634
Employee advances	1,237	1,214
Prepaid expenses	5,180	5,151
TOTAL CURRENT ASSETS	112,214	116,397
PROPERTY AND EQUIPMENT		
Land and buildings	12,068	11,950
Equipment	25,485	25,379
Automobiles	6,005	6,139
Furniture and fixtures	11,958	12,316
Leasehold improvements	3,666	3,514
	59,182	59,298
Less accumulated depreciation and amortization	27,510	26,206
	31,672	33,092
OTHER ASSETS		
Equity investments	4,475	4,060
Goodwill, net	14,626	14,842
Deposits and other assets	4,277	4,632
	23,378	23,534
	$167,264	$173,023

See accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEETS
LAW COMPANIES GROUP, INC.
(in thousands)

	March 31 1992	December 31 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 215	$ 813
Accounts payable	14,549	13,396
Billings in excess of costs and fees earned on contracts in progress	8,858	9,552
Accrued payroll and payroll taxes	6,662	6,266
Accrued vacation pay	4,965	4,012
Other accrued expenses	15,849	16,735
Income taxes payable	341	1,606
Deferred income taxes	14,268	14,028
Current portion of long-term debt	5,459	5,177
TOTAL CURRENT LIABILITIES	71,166	71,585
LONG-TERM DEBT	43,932	48,723
DEFERRED INCOME TAXES	938	882
MINORITY INTEREST IN EQUITY OF SUBSIDIARIES	360	346
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Class A Common Stock	2,615	2,615
Common Stock	97	97
Additional paid in capital	9,545	9,545
Retained earnings	38,924	39,189
Foreign currency translation adjustment	(131)	41
Treasury stock	(182)	
	50,868	51,487
	$167,264	$173,023

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LAW COMPANIES GROUP, INC.
(in thousands, except per share data)

	For the Quarter Ended	
	March 31 1992	March 31 1991
Gross fees	$ 87,406	$ 84,647
Less: Cost of outside services	15,822	16,597
Net fees	71,584	68,050
Direct costs and expenses:		
Payroll	19,931	20,387
Job related expenses	6,721	5,184
GROSS PROFIT	44,932	42,479
Indirect costs and expenses:		
Payroll	17,509	16,988
Other expenses	26,223	23,640
OPERATING INCOME	1,200	1,851
Interest expense	1,047	1,457
Other (income) expense, net	(14)	19
INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND NET INCOME FROM EQUITY INVESTMENTS	167	375
Provision for income taxes	68	158
INCOME BEFORE MINORITY INTEREST AND NET INCOME FROM EQUITY INVESTMENTS	99	217
Minority interest in (income) loss of subsidiaries	(13)	62
Net (loss) from equity investments	(80)	0
NET INCOME	$ 6	$ 279
EARNINGS PER COMMON SHARE	$ Nil	$ .10

See accompanying notes.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LAW COMPANIES GROUP, INC.
(in thousands)

	For the Quarter Ended	
	March 31 1992	March 31 1991
OPERATING ACTIVITIES		
Net income	$ 6	$ 279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,933	1,877
Provision for losses on receivables	1,213	779
Deferred income taxes	(58)	68
Undistributed losses from equity investments	80	21
Minority interest in loss (income) of subsidiaries	13	(62)
Loss (gain) on sale of property and equipment	7	(9)
	3,194	2,953
Changes in operating assets and liabilities net of effects of business acquisitions:		
Increase in billed fees receivable	(8,990)	(2,736)
Decrease (increase) in unbilled work in progress	11,462	(3,020)
Decrease in other current assets	1,990	2,017
Increase in accounts payable and accrued expenses	1,152	2,926
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,808	2,140
INVESTING ACTIVITIES		
Acquisition of equity investment	(2,515)	(66)
Purchases of property and equipment	(1,588)	(1,304)
Proceeds from sale of property and equipment and equity investments	4	42
Other, net	(69)	-
NET CASH USED IN INVESTING ACTIVITIES	(4,168)	(1,328)
FINANCING ACTIVITIES		
Proceeds from and principal payments on short-term borrowings, net	(598)	-
Proceeds from and principal payments on revolving line of credit and long-term borrowings, net	(3,470)	(1,238)
Dividends paid	(271)	(244)
Issuance of common stock (1991-8,250 shares)	-	177
Treasury stock repurchases (1992-10,350 shares; 1991-15,250 shares)	(182)	(180)
NET CASH USED BY FINANCING ACTIVITIES	(4,221)	(1,485)
Effect of exchange rate changes on cash	(301)	(113)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	118	(786)
Cash and cash equivalents at beginning of period	7,706	7,711
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,824	$ 6,925

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
LAW COMPANIES GROUP, INC.

NOTE 1 - There have been no significant changes in the accounting policies of the Company during the periods presented. For a description of these policies, see Note 1 of Notes to Consolidated Financial Statements for the year ended December 31, 1991 in the Company's Form 10-K.

NOTE 2 - The unaudited condensed consolidated financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 1991 included in the Company's Form 10-K. The accompanying condensed consolidated financial statements have not been audited by independent auditors in accordance with generally accepted auditing standards, but in the opinion of management such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the Company's consolidated financial position and results of operations. The results of operations for the three months ended March 31, 1992 may not be indicative of the results that may be expected for the year ending December 31, 1992.

NOTE 3 - During the first quarter of 1992 the Company renegotiated and amended certain loan facilities, and received a commitment to amend other loan facilities with its banks to provide approximately $60 million of borrowings. As of March 31, 1992, $43 million was outstanding under these agreements. The term loan agreements require quarterly payments of principal and interest commencing in June 1992. The revolving and term loan credit facility agreements contain certain restrictions relating to, among other things: maintaining current ratios at specified levels; minimum working capital requirements; maintaining debt within specified debt ratios and limits; and maintaining a minimum specified tangible net worth.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the three month periods indicated, (i) the percentage of net fees represented by certain items reflected in the Company's condensed consolidated statements of income and (ii) the percentage increase or decrease in each of such items from the comparable period in the prior year. The Company measures its operating performance on the basis of net fees since a substantial portion of gross fees flow through to clients as costs of subcontractors and other project specific outside services. Net fees are determined by deducting the cost of these outside services from gross fees. This table and the subsequent discussion should be read in conjunction with the condensed consolidated financial statements and notes to condensed consolidated financial statements contained elsewhere in this Form 10-Q.

	Three Month Periods Ended		Year to Year Percentage Increase (Decrease)
	March 31 1992	March 31 1991	1992 vs 1991
Net fees	100.0%	100.0%	5.2%
Gross profit	62.8%	62.4%	5.8%
Indirect costs and expenses	61.1%	59.7%	7.6%
Operating income	1.7%	2.7%	(35.2)%
Net income	-	.4%	(97.8)%

Results of Operations

Consolidated net fees of $71.6 million in the first three months of 1992 represent a 5% increase over net fees of $68.1 million for the comparable period in 1991. This increase was primarily due to the continued growth in the International Group, although each Group contributed to the total growth as discussed in the following paragraph.

The Engineering Group's net fees increased 5.4% over the first three months of 1991. An economic correction in the United States construction industry which began in 1990 has impacted the growth in demand for certain of the Group's services. However, the Company believes that this Group is properly positioned to take advantage of existing markets and to offer new services, thereby maintaining steady growth. The increase in the Environmental Group's net fees of 1.2% over first quarter 1991 levels shows a leveling of the demand for the Company's domestic environmental services which had experienced significant growth over the past three years. This demand, which in the past was fueled by public awareness, legislation and regulatory action, and the fear of potential liability related to noncompliance with environmental requirements, has been somewhat stemmed by the economic downturn causing clients to release projects at a slower rate. The International Group's net fees for the first three months of 1992 reflect an increase of 8.7% over the first quarter of 1991. The services provided by the International Group continue to experience strong demand, leading to a steady increase in volume of business. This increase is compounded by several large projects that are currently in process and are generating higher than average profit margins.

The gross profit margin increased slightly from 62.4% in the first quarter of 1991 to 62.8% in 1992. The increase is primarily attributable to the International Group where the gross profit margin increased from 51.3% in the first quarter of 1991 to 53.8% in the same period of 1992. This increase is due to the increase in the volume of business and the performance of the large projects mentioned earlier. The gross profit margin of the Engineering Group increased slightly from 66% to 67% from the first quarter of 1991 to the first quarter of 1992. The Environmental Group's gross margin remained unchanged at 68% for the first quarter of 1991 and 1992.

Indirect costs and expenses were $43.7 million, or 61.1% of 1992 first quarter net fees, compared with $40.6 million, or 59.7% of 1991 first quarter net fees, which represents an increase of 7.6% from 1991. The increase is the result of an increase in the non-labor component of indirect costs relative to net fees from 34.7% in 1991's first quarter to 36.6% in 1992.

The above factors combined to produce an operating margin of $1.2 million (2%) in the first quarter of 1992 versus $1.8 million (3%) for 1991's first quarter.

Interest expense decreased from $1.5 million in 1991's first quarter to $1.0 million for the same period of 1992. This was due primarily to lower interest rates combined with a reduction of debt in the International Group.

The effective income tax rates for the first three months of 1992 and 1991 were 40.5% and 42.1%, respectively. The effective tax rates were higher than the statutory federal rate of 34% due primarily to the effect of state income taxes.

Net income for the three months ended March 31, 1992 was $6,000 or less than $.01 per share. This compares with net income of $279,000, or $.10 per share, for the three months ended March 31, 1991.

Liquidity and Capital Resources

For the past three fiscal years, the Company has financed both the internal and external growth of the organization principally through cash generated by operations and bank financing. Projected cash flows are expected to be sufficient to service outstanding debt, as described below, and to provide cash to develop existing businesses.

Long-term Debt

The Company reported long-term debt of $43.9 million at March 31, 1992, compared to $48.7 million at the end of 1991. Long-term debt as a percentage of total capitalization amounted to 46% at March 31, 1992, compared to 49% at December 31, 1991. The decrease is due to lower exchange rates and more aggressive cash management, primarily in the International Group. In order to meet internal capital requirements and provide for long-term funding of the Gibb acquisition, the Company, during the first quarter of 1992, renegotiated and amended certain loan facilities, and received a commitment to amend other loan facilities with its banks to provide approximately $60 million of borrowings. As of March 31, 1992, $43 million was outstanding under these agreements. The term loan agreements require quarterly payments of principal and interest commencing in June 1992. The revolving and term loan credit facility agreements contain certain restrictions relating to, among other things: maintaining current ratios at specified levels; minimum working capital requirements; maintaining debt within specified debt ratios and limits; and maintaining a minimum specified tangible net worth. Cash generated by operations is expected to decrease the debt throughout the second, third and fourth quarters of 1992. The Company is of the opinion that sufficient capital resources are available to meet both short-term needs and long-term goals.

Cash Provided by Operations

Cash provided by operations for the first quarter of 1992 was $6.2 million, as compared to cash provided by operations of $2.3 million for the first quarter of 1991. The increase is reflective of the Company's focus on cash and working capital management in 1992.

Acquisitions

Substantially all of the remaining contingent consideration payments related to the 1989 Gibb acquisition were made in 1991. The funding was $4.7 million in 1990, net of cash acquired upon execution of an option to acquire the Gibb businesses in Africa, and $8.0 million in 1991. In the first quarter of 1992, the Company funded the first installment of approximately $2.1 million related to the acquisition of a 20% interest in a Spanish consulting engineering firm. The final installment of approximately $.5 million is due in December 1993.

Capital Expenditures

The Company's operations are primarily dependent upon professional services and as such are not capital intensive. The Company invested $1.6 million in capital spending during the three months ended March 31, 1992. This amount compares to $1.3 million in the comparable 1991 period. In order to continue to enhance productivity and potentially increase revenue, the Company will continue to purchase furniture and fixtures and computer related equipment as needs arise. The Company currently has no material commitments for purchases of additional equipment.

Shareholders' Equity

The translation of the Company's foreign subsidiaries' financial statements into U.S. dollars is done in multiple steps. First, all foreign operations are measured in the functional currencies of the foreign subsidiaries' economic environments by utilizing a combination of current, average and historic exchange rates, with translation impacts being included in income. Then the foreign subsidiaries' functional currency financial statements are translated into U.S. dollars, the Company's reporting currency, utilizing current and average exchange rates, with the resulting translation adjustment included in the cumulative foreign currency translation adjustment account as part of shareholders' equity. Due to the strengthening of the U.S. dollar relative to the foreign operations' functional currencies, principally the pound sterling, the Company's foreign currency translation adjustment has shifted from an increase in shareholders' equity of $41,000 at December 31, 1991 to a decrease in shareholders' equity of $131,000 at March 31, 1992.

During the first quarter of 1992 the Company paid cash dividends of $.10 per share. This dividend represents an 11% increase over the first quarter of 1991 dividend of $.09 per share. Annual dividend payments are generally restricted by the revolving and term loan credit agreements to 12.5% of the preceding year's consolidated net income.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 - Computation of Earnings Per Share Page: 13

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.

EXHIBIT 11
LAW COMPANIES GROUP, INC.
COMPUTATION OF EARNINGS PER SHARE
(in thousands, except per share data)

	For the Quarter Ended	
	March 31, 1992	March 31, 1991
Net Income	$ 6	$ 279
Average number of shares of capital stock outstanding	2,708	2,717
Average number of shares of unearned restricted stock outstanding, net of earned shares	(11)	(37)
Assuming exercise of options based on the treasury stock method using average market price	107	45
Average number of primary shares of capital stock outstanding	2,804	2,725
Primary earnings per share	$ Nil	$ .10
Average number of shares of capital stock outstanding	2,708	2,717
Average number of shares of unearned restricted stock outstanding, net of earned shares	(11)	(37)
Assuming exercise of options based on the treasury stock method using previous year end market price	107	45
Average number of shares of capital stock outstanding assuming full dilution	2,804	2,725
Fully diluted earnings per share	$ Nil	$ .10

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Law Companies Group, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAW COMPANIES GROUP, INC.

Jimmy L. Williams
Chief Financial Officer and Treasurer

Dated: May 14, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(30 (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1991

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number ~~33-3301-D~~ 0-16243

LEVERAGE GROUP, INC.
(Exact name of registrant as specified in its charter)

Colorado	84-0991072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6555 NW 9th Ave. Ft. Lauderdale, FL	33309
(Address of principal executive officers	(Zip Code)

mf
5/28

(305) 772-2081
(Registrant's telephone number, including areas code)

7110 North University Drive, Tamarac, Florida 33321
(Former name, former address and former fiscal year, if change since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES ___ NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at September 30, 1991
	328,071,676

LEVERAGE GROUP, INC. & SUBSIDIARIES

FORM 10-Q

QUARTER ENDED SEPTEMBER 30, 1991

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General Business Information

Leverage Group, Inc. ("Registrant" or "Leverage") was under the laws of the State of Colorado on July 3, 1985. Leverage was incorporated to evaluate the structure and complete a merger or acquisition with a private company as well as the acquisition and development of real property. In May 1986, the Registrant made an initial public offering of its common stock, which closed in September 1986. Pursuant to that offering, Leverage raised $200,000.

National Health Guard, Inc. ("NHC" or "Health Guard") is a wholly-owned subsidiary of Leverage. NHG was incorporated under the laws of the State of Florida in April 1987. On January 25, 1988, Leverage acquired all of the outstanding shares of Health Guard, then known as Blood Shield, Inc., in exchange for stock of Leverage. As a result of that transaction and his purchase of additional shares from certain of the principals of the Registrant, Mr. Margolin, Chairman of the Board and Vice President of Health Guard, became the owner of approximately 81% of Leverage's then issued and outstanding shares.

Health Guard was a development stage enterprise through fiscal year ending June 30, 1989, as defined by the financial Accounting Standards Board ("FASB") Statement No. 7, Accounting and Reporting by Development Stage Enterprises. The Registrant began active operations during the fiscal year ended June 30, 1990, specializing presently in autologous blood banking (the use of one's own blood), and production of blood components (fresh frozen plasma, recovered plasma, random platelets) for resale to the medical community. Health Guard also provides complete blood work-up services in its own clinical laboratory facility as well as semen storage.

G.I. Corporation (GIC) is a wholly-owned, inactive subsidiary of Health Guard, whose primary business is the development of medical and pharmaceutical products. It was incorporated on January 20, 1987, in the State of Florida. GIC was also a development stage enterprise as defined above. GIC will devote substantially all of its efforts to establishing a new business whose planned principal operations have not commenced and, accordingly, minimal revenues have been derived therefrom.

MARKET FOR THE REGISTRANT'S COMMON STOCK
and
RELATED STOCKHOLDER MATTERS

The principal market for the Registrant's common stock is not on any exchange. The common stock of Leverage is traded over-the-counter.

Leverage is subject to the informational requirements of the Securities and Exchange Act of 1934 ('the Act") and, accordingly, is required to file reports and other information with the Securities and Exchange Commission. The Registrant has not been in compliance with such filing requirements, having not filed reports since March 1989. The Registrant currently is in the process of bringing itself into compliance with such filing requirements. However, there is no assurance that the Securities and Exchange Commission will not sanction or otherwise penalize the Registrant and/or its officers and directors.

Currently, there is no trading market made in the Registrant's stock. There can be no assurance that such trading market will be established or if established that it will be active enough to absorb the sale of a large amount of securities or that prices of the securities will be meaningful or desirable.

The Registrant has not paid dividends on its Common Stock since inception, nor does it plan to pay dividends in the foreseeable future. It is the Registrant's intent that any earnings, if and when realized, will be retained to finance future growth.

SELECTED CONSOLIDATED FINANCIAL DATA

The Registrant was a development stage enterprise, as defined by the Accounting Standards Board ("FASB") Statement No. 7, Accounting and Reporting by Development Stage Enterprises, until fiscal year end June 30, 1989. Leverage has not, from inception through June 30, 1990, generated any significant revenues, although revenues began increasing in June 1990, and as a result, the Registrant was no longer considered in the development stage.

The following table contains selected consolidated financial data the the date of inception (July 3, 1985) to June 30, 1988 and for each of the fiscal years ended June 30, 1991, 1990 and 1989 and for the six months ended December 31, 1991 (unaudited):

	Six months ended December 31, 1991 (unaudited)	JUNE 30,			July 3, 1985 (inception) to
		1991	1990	1989	1988
Fee income	$ 264,936	$ 379,615	$ 39,837	$ 14,489	$ 8,902
Net loss	144,172	190,490	219,420	504,525	270,447
Net loss per share	(*)	(*)	(*)	(*)	(*)
Total assets	156,965	209,385	95,613	75,325	307,213
Long term obligations	8,000	8,000	11,250	-	-
Net capital deficiency	486,467	419,795	444,815	440,393	63,870
Shares outstanding	347,205,639	328,071,676	294,116,077	82,766,644	152,500,000

(*) less than $0.01 loss per share

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Leverage is a publicly-held Colorado holding corporation. The Registrant began active operations during the fiscal year ended June 30, 1990, specializing presently in autologous blood banking (the use of one's own blood). National Health Guard also provides complete blood work-up services in its own clinical laboratory facility, as well as semen and ova storage.

National Health Guard, as the Registrant's principal operating entity, generates its income by providing these blood, semen and ova storage, laboratory and clinical services on a fee basis. Through June 1990, the Registrant has had only nominal revenues from its activities in storing blood, providing blood processing activities and its blood related laboratory activities. National Health Guard began generating significantly increased revenues during its June 30, 1991 fiscal year. However, there can be no assurances that its planned activities will result in profitable operations.

Capital Resources and Liquidity

The Registrant's ability to continue in operations is dependent upon its ability to obtain additional financing and/or obtain alternative capital which the Registrant requires to attain sufficient profitable operations and to meet its obligations. To this end, in December 1989, and as amended in December 1990, and again in March 1991, the Registrant had issued Private Placement Memorandums to obtain the financing that Management believes necessary to complement its business plan. Management is contemplating another Private Placement in the very near future, which will fund capital for purchase of equipment and working capital, thus enabling the Company to greatly expand operations into other major areas of the business. The Registrant must receive sufficient funds to accomplish its intended objective or to remain in operation for a sustained period of time. It is also possible that the Registrant will require additional financing beyond that covered in the Private Placement Offering. Management can provide no assurance that such additional financing can be obtained or even if available, that such additional capital will be available on terms acceptable to Leverage. To the extent that any such additional funding requirements cannot be fulfilled, the ability of Management to complement its business plan will be adversely affected.

Future

The goal of National Health Guard is to provide clients with properly collected, specially processed blood for autologous transfusion (transfusion of one's own blood).

The method of achieving this goal has already been determined by successfully opening separate drawing facilities outside the main laboratory. These drawing facilities will be formed through restrictive partnership programs soon to be announced. The Company is also presently negotiating an international program providing for distributorships of both National Health Guard products and knowledge and transfer agreements.

National Health Guard is currently pursuing various other avenues to establish itself in its primary business. For the succeeding fiscal year, the Registrant expects to manufacture and distribute the proprietary liquid nitrogen freezer for blood storage. The Company is seeking to establish a sales and distribution channel for the product world-wide. Management believes that the freezer sales will become a highly profitable business for the Company.

LEVERAGE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1991

ASSETS

CURRENT ASSETS	
Cash	$ 155
Accounts Receivable, Net (Note 2)	100,219
Inventory	24,614
Due from Officers and Employees	12,500
TOTAL CURRENT ASSETS	137,488
FURNITURE, FIXTURES AND EQUIPMENT	
Medical Equipment	78,316
Furniture and Fixtures	44,820
	123,136
Accumulated Depreciation	(71,242)
TOTAL FURNITURE, FIXTURES AND EQUIPMENT	51,894
OTHER ASSETS	
Patent	5,921
Other	7,101
TOTAL OTHER ASSETS	13,022
TOTAL ASSETS	$ 202,404

See accompanying notes to Consolidated Financial Statements

LEVERAGE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1991

LIABILITIES AND NET CAPITAL DEFICIENCIES

CURRENT LIABILITIES	
Current Portion of Notes Payable (Note 3)	$ 52,582
Accounts Payable and Accrued Expenses	221,891
Note Payable - Officer (Note 4)	47,377
Loans Payable - Officers (Note 5)	342,777
TOTAL CURRENT LIABILITIES	664,627
NOTES PAYABLE (NOTE 3)	8,000
COMMITMENTS AND CONTINGENCIES (NOTE 7)	
NET CAPITAL DEFICIENCY	
Common Stock, no par value, 500,000,000 Shares Authorized, 328,071,676 Shares Issued and Outstanding	753,550
Paid-in Capital	11,537
Accumulated Deficit	(1,235,310)
TOTAL NET CAPITAL DEFICIENCIES	(470,223)
TOTAL LIABILITIES AND NET CAPITAL DEFICIENCIES	$ 202,404

See accompanying notes to Consolidated Financial Statements

LEVERAGE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

SEPTEMBER 30, 1991

		Six Months Year to Date Ended 12/31/91
FEE INCOME (Note 8)	$134,759	$264,978
OPERATING EXPENSES		
Salaries and Commission	67,548	144,164
Medical Supplies	26,748	74,330
Other Operating Expenses	9,360	20,760
ADMINISTRATIVE EXPENSES		
Payroll Expenses	31,662	70,362
Office and Occupancy Expenses	29,687	58,210
Other Administrative Expenses	16,755	32,854
OPERATING (LOSS)	(47,001)	(135,702)
OTHER ITEMS		
Interest Expense	3,427	(8,470)
NET LOSS	($ 50,428	($144,172)

See accompanying notes to Consolidated Financial Statements

LEVERAGE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET CAPITAL DEFICIENCY

SEPTEMBER 30, 1991

	COMMON STOCK		PAID-IN	ACCUMULATED
	SHARES	AMOUNT	CAPITAL	DEFICIT
Balance as of 6/30/91	328,071,676	$ 753,550	$ 11,537	$(1,184,882)
Net Loss for the Six Months Ended 9/30/91				(50,428)
Balance as of 9/30/91	328,071,676	$ 753,550	$ 11,537	$(1,235,310)

See accompanying notes to Consdolidated Financial Statements

LEVERAGE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

SEPTEMBER 30, 1991

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (Loss)	$(50,428)
Adjustments to Reconcile Net (Loss) to Net Cash Used By Operating Activities:	
Depreciation and Amortization	4,132
(Increase) Decrease In:	
Accounts Receivable, Net	3,887
Inventory	2,623
Due from Officers and Employees	(12,500)
Other Assets	(4,814)
(Increase) In Accounts Payable and Accrued Expenses	(20,501)
NET CASH USED BY OPERATING ACTIVITIES	$(77,601)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Issuance of Common Stock	------
Purchase of Furniture, Fixtures and Equipment	(2,043)
NET CASH USED BY INVESTING ACTIVITIES	(2,043)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds of Loans Payable - Officers	78,912
Proceeds of Loans Payable	------
Principal Repayments of Notes Payable	(13,391)
Principal Payment of Note Payable - Officer	(1,573)
NET CASH PROVIDED BY FINANCING ACTIVITIES	63,948
NET INCREASE/DECREASE IN CASH	(15,696)
CASH - BEGINNING	15,851
CASH - ENDING	$ 155

See accompanying notes to Consolidated Financial Statements

LEVERAGE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been presented on the basis of the continuation of Leverage Group, Inc. and subsidiaries as a going concern and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Organization

Leverage Group, Inc. (the Company) is a publicly-held Colorado corporation. The Company does business mainly through its wholly-owned subsidiary, National Health Guard, Inc. (previously Blood Shield, Inc.), whole primary business in the autologous storage of blood and the operation of a clinical laboratory.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All Significant intercompany transactions and balances have been eliminated in consolidation.

Inventory

Inventory consists of supplies and is valued at the lower cost or market. Cost is determined on the first-in first-out method.

LEVERAGE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at acquisition cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Gains or losses on disposal are included in the results of operations.

Depreciation

Depreciation is computed by accelerated methods using various rates based generally on the estimated useful lives of the assets. The estimated useful lives are summarized as follows:

furniture and fixtures	5 to 7 years
Medical equipment	7 years

Statement of Cash Flows

For purposes of this statement, the Company considers all liquid investments with a maturity of three months or less to be cash equivalents.

Common Stock

Shares of common stock issued for other than cash have been assigned amounts equivalent to the fair value of the service or asset received in exchange.

Loss per share

Net loss per share have been computed on the basis of weighted average common shares outstanding. Fully diluted loss per share are not presented because the warrants are anti-dilutive.

NOTE 2. ACCOUNTS RECEIVABLE

Approximately 90% of the Company's receivables are due from Medicare and private insurers. Accounts receivable are stated net of an allowance for doubtful accounts of $61,209 at September 30, 1991.

LEVERAGE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 3. NOTES PAYABLE

Notes payable as of September 30, 1991 consists of the following:

Bank credit line, with interest at 10%, collateralized by a Certificate of Deposit owned by an officer/shareholder	$27,360
Note payable, $339 monthly, including principal and interest at 10%, final payment due in 1994	11,250
Note payable, Interest Only at 15% until April 1992, $20,000 principal due April 28, 1992, and the remaining $10,000 due May 28, 1992, collateralized by accounts receivable of the Company	17,392
Note payable, $1,000 monthly, including principal and interest at 10%, due September 4, 1991	4,580
	60,582
Less: Current Portion	52,582
	$ 8,000

Fiscal year ending:	
June 30, 1992	$52,582
June 30, 1993	5,000
June 30, 1994	3,000
	$60,582

LEVERAGE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 4. NOTE PAYABLE - OFFICER

Note payable-officer is unsecured and bears interest at 2% over the bank prime rate. Monthly payments of $500, plus interest are due through November 1991, with the remaining principal and interest due December 2, 1991.

NOTE 5. LOANS PAYABLE - OFFICERS AND EMPLOYEES

Loans payable-officers and employees are unsecured and bear interest at the annual rate of 10% and are due on demand.

NOTE 6. COMMON STOCK

Some of the issued and outstanding common shares of the Company are "restricted securities" under Rule 144 of the Securities Act of 1933. These shares must generally be held for a minimum of two years prior to resale. However, under certain circumstances, they may be sold before the minimum holding period.

The Company has 20,000,000 redeemable common stock purchase warrants outstanding. Each warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of $0.04 per share. Each warrant may be called (redeemed) by the Company at any time, after thirty (30)days written or published notice, at a redemption price of $0.0001 per redeemable warrant, subject to the right of holders of the redeemable warrants to exercise their purchase rights between the date of any notice of redemption up to and including the redemption date given to the Company. The redeemable warrants expire on December 31, 1992.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Facility lease

The Company leases its office and blood storage facilities under a Sixty-nine (69) month operating lease, expiring December 1, 1995. The lease provides for increases in minimum rental payments based upon increases in the Consumer Price Index. In addition, the lease provides for payments for maintenance and taxes.

NOTE 7. COMMITMENTS AND CONTINGENCIES (Continued)

Facility lease (Continued)

The following is a schedule, by year, of future minimum payment due under this non-cancelable lease at June 30, 1991:

1992	$ 25,670
1993	25,670
1994	25,670
1995	19,253
Total	$ 96,263

LEVERAGE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 8. COMPARATIVE INFORMATION

The comparative information for fiscal year 1990 has not been presented in the Statement of Operations and Cash Flows because it is not readily available and cost prohibitive to compile. It would not provide meaningful information because there was no meaningful revenue during the period.

NOTE 9. LEGAL PROCEEDINGS

On October 14, 1991, Steven Fine resigned as an officers and director of the Company. This resignation came after two other officers and directors of the Company filed a derivative action against Mr. Fine. Subsequently, Mr. Fine filed suit against the Company and its directors to compel the Company to issue stock pursuant to an alleged agreement. In addition, the suit seeks an unspecified amount of damages, including punitive damages for fraud. The Company is vigorously defending the action and believes that Mr. Fine is not entitled to the relief requested. However, if the court were to rule in Mr. Fine's favor, said result could have an adverse effect on the Company and would have a dilution effect on the present shareholders.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LEVERAGE GROUP, INC.

Dated: 5/10/92

By: ______________________
Ely Margolin
Chairman of the Board

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File Number 0-10071

NOBEL INSURANCE LIMITED

(Exact name of registrant as specified in its charter)

BEST COPY AVAILABLE

ISLANDS OF BERMUDA (State or other jurisdiction of incorporation or organization)	**98-0076395** (I.R.S. Employer Identification No.)
Washington Mall I, 3rd Floor **Reid Street; P. O. Box HM224** **Hamilton, Bermuda HMDX** (Address of principal executive offices)	**None** (Zip Code)

Registrant's telephone number, including area code: (809)292-7104.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

YES X NO __

Number of Common Shares, $1.00 Par Value, outstanding at March 31, 1992:

6,563,671

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Part I: FINANCIAL INFORMATION

Item 1: Financial Statements

NOBEL INSURANCE LIMITED
CONSOLIDATED BALANCE SHEETS
(Expressed in United States Dollars)

(In thousands)	March 31, 1992	December 31, 1991
ASSETS		
Investments:		
Short-term investments, at cost, which approximates market	$ 11,794	$ 15,478
Bonds and notes, at amortized cost (market value $77,993 at March 31, 1992 and $78,563 at December 31, 1991)	78,737	76,768
Redeemable preferred stock, at amortized cost (market value $737 at March 31, 1992 and $536 at December 31, 1991)	637	536
Total investments	91,168	92,782
Cash	1,598	1,007
Funds held by reinsured companies	5,585	5,730
Premiums receivable less allowance for doubtful accounts ($1,420 at March 31, 1992 and $1,431 at December 31, 1991)	1,749	4,059
Accrued interest income	678	841
Other receivables	4,288	4,499
Property and equipment less accumulated depreciation ($1,538 at March 31, 1992 and $1,479 at December 31, 1991)	1,463	1,537
Computer software, net of amortization	474	528
Deferred acquisition costs	1,183	1,572
Goodwill, net of amortization	979	993
Other assets	209	257
Total assets	$109,374	$113,805

(See Accompanying Notes to Consolidated Financial Statements)

NOBEL INSURANCE LIMITED
CONSOLIDATED BALANCE SHEETS

(Expressed in United States Dollars)
(Continued)

(In thousands)	March 31, 1992	December 31, 1991
LIABILITIES		
Reserve for claims and claims expenses	$ 70,400	$ 72,954
Unearned premiums	6,170	8,086
Accounts payable and accrued liabilities	3,846	3,637
Deferred gain on disposal of business	731	795
Deferred service fee income	423	613
Liability for purchase of EPIC minority interest shares	–	1,282
Notes payable and obligations under capital lease	678	727
Total liabilities	82,248	88,094
SHAREHOLDERS' EQUITY		
Capital shares (Authorized 20,000,000 shares; $1 par value; outstanding 6,563,671 shares at March 31, 1992 and December 31, 1991)	7,068	7,068
Contributed surplus	42,518	42,518
Retained earnings (deficit)	(20,488)	(21,903)
Treasury stock	(1,972)	(1,972)
Total shareholders' equity	27,126	25,711
Commitments and Contingencies		
Total liabilities and shareholders' equity	$109,374	$113,805
Book value per share	$4.13	$3.92

(See Accompanying Notes to Consolidated Financial Statements)

NOBEL INSURANCE LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Expressed in United States Dollars)

(In thousands except per share data)	Three Months Ended March 31, 1992	1991
Revenues:		
Premiums written	$ 3,432	$ 1,940
Reinsurance purchased	(2,132)	(1,472)
(Increase) decrease in unearned premiums	1,916	1,258
Net premiums earned	3,216	1,726
Interest income, net of investment expenses	1,309	1,754
Realized investment gains	112	219
Other income	64	--
Total revenues	4,701	3,699
Expenses:		
Claims and claims expenses	1,627	1,526
Service fees and commissions	205	(482)
General and administrative expenses	1,454	1,752
Total expenses	3,286	2,796
Operating income before minority interest	1,415	903
Minority interest	--	(91)
Net income	1,415	812
Retained earnings (deficit) at beginning of period	(21,903)	(30,763)
Retained earnings (deficit) at end of period	$ (20,488)	$ (29,951)

(See Accompanying Notes to Consolidated Financial Statements)

NOBEL INSURANCE LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Continued)

	Three Months Ended March 31,	
(In thousands except per share data)	1992	1991
Earnings per capital share:		
Operating income	$ .22	$ .13
Minority interest	—	(.01)
Net income per capital share	$ .22	$ .12
Average number of capital shares	6,563,671	6,970,336
Claim ratio	50.6%	88.4%
Expense ratio	112.4%	260.2%
Combined ratio	163.0%	348.6%

(See Accompanying Notes to Consolidated Financial Statements)

NOBEL INSURANCE LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	Three months ended March 31,	
(In thousands)	1992	1991
Cash flows from operating activities:		
Net income	$ 1,415	$ 812
Items not requiring (providing) cash:		
Depreciation and amortization	230	160
Change in deferred acquisition costs	389	244
(Decrease) in reserve for claims and claims expenses	(2,554)	(3,755)
(Decrease) in unearned premiums	(1,916)	(1,258)
(Increase) in accounts payable and accrued liabilities	209	(737)
(Decrease) in deferred service fee income	(190)	(188)
Increase (decrease) in minority interest	–	91
(Increase) decrease in premiums receivable	2,310	654
(Increase) decrease in accrued interest	163	385
(Increase) decrease in other receivables	211	102
(Increase) decrease in other assets	75	55
(Increase) decrease in funds held by reinsurance companies	145	(210)
Realized investment (gains) losses	(112)	(235)
(Gains) losses on disposal of other assets	–	(41)
Net cash provided from (used by) operating activities	375	(3,839)
Cash flows from investing activities:		
Sale of bonds and notes	6,040	11,670
Sale of equity investments	–	4,516
Purchase of bonds and notes	(7,982)	(3,062)
Purchase of equities	–	(4,499)
Purchase of preferred stock	(101)	--
Expense of purchase of LPG Risk Retention Group Holding Company, Inc.	(29)	--
Increase (decrease in deferred gain on disposal of business)	(64)	--
Net additions to property and equipment	(1)	(76)
Software purchased	–	(24)
Net cash provided from (used by) investing activities	(2,137)	8,525

(See Accompanying Notes to Consolidated Financial Statements)

NOBEL INSURANCE LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)
(Continued)

(In thousands)	Three months ended March 31, 1992	1991
Cash flows from financing activities:		
(Decrease) in notes payable and capital lease obligation	(49)	(21)
Proceeds from issuance of common shares	–	15
Increase in treasury stock	–	(57)
Purchase of EPIC minority interest	(1,282)	–
Net cash provided from (used by) financing activities	(1,331)	(63)
Net increase (decrease) in cash and cash equivalents	(3,093)	4,623
Cash and cash equivalents at beginning of period	16,485	24,901
Cash and cash equivalents at end of period	$ 13,392	$ 29,524

NOBEL INSURANCE LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Balance Sheets at March 31, 1992, and Consolidated Statements of Income and Retained Earnings for the three months ended March 31, 1992 and Consolidated Statements of Cash Flows for the three months ended March 31, 1992, have not been examined by independent accountants, but, in the opinion of Nobel Insurance Limited ("Company"), all adjustments (consisting only of normal accruals) necessary for a fair presentation of the financial position and results of operations for the periods indicated have been included.

The Company is a foreign corporation not, in management's opinion, engaged in a trade or business in any jurisdiction requiring the payment of taxes on income except for its United States subsidiaries (the "U.S. Group") who may ultimately pay United States taxes on their income.

United States income taxes have not been provided for on the operations of the U.S. Group for the three months ended March 31, 1992, as these operations do not anticipate any financial statement taxable income for 1992. At December 31, 1991, the U.S. Group had consolidated net operating losses of approximately $16,900,000 which may be carried forward for U.S. Federal income tax purposes. Such loss carryforwards expire beginning in 1994.

Insurance companies are required to provide reserves for the settlement and expense of investigation of all reported and unreported claims. Such provisions are necessarily based on estimates. The estimates, and the methods used to arrive at them, are periodically reviewed by the Company in consultation with professional actuaries and changes are reflected in current operating results.

The Company estimates claims and claims expenses based on historical experience and payment and reporting patterns for the type of risk involved. The anticipated effect of inflation is implicitly considered when estimating claims and claims expenses. The difference between the Company's reserves on a statutory basis and on the basis of generally accepted accounting principles is immaterial.

Inherent in the estimates of ultimate claims are expected trends in claim severity, frequency and other factors that may vary as claims are settled. The amount of uncertainty in the estimates is affected by such factors as the amount of historical claims experience relative to the development period for the type of risk, knowledge of the actual facts and circumstances, and the amount of insurance risk retained.

The Company experienced rapid growth in premiums between 1985 and 1988, particularly in the general liability and excess liability lines of business, which have extended claim development periods. During this period, the Company had also increased the amount of insurance risk it retained. Since 1989, the Company has implemented strategies to reduce the amount of underwriting risk and refine the claims data available for actuarial analysis for its casualty coverages, and has maintained a conservative reserving philosophy to avoid recurrence of the adverse reserve development experienced prior to 1989. In combination with the additional claims development period, the amount of uncertainty in the estimates of ultimate claims while still inherently significant, is reduced.

At December 31, 1991, the Company reflected an IBNR on these casualty lines which represented the Company's best estimate of the reserve for claims and claims expense. The Company believes that, because of the reduction of the amount of uncertainty, such IBNR adequately provides for any probable adverse development of claims and claims expense. The favorable loss development trends which the Company has experienced since 1989 have continued to have a positive impact on earnings in 1992.

The outstanding balances for casualty and other coverages IBNR reserves were (in thousands):

Period	Reserve Balance	Expense
At March 31, 1992	$43,763	
Three months ended March 31, 1992		$ (1,719)
At December 31, 1991	$45,482	
At March 31, 1991	$48,608	
Three months ended March 31, 1991		$ (829)

An allowance for doubtful receivables is established when it becomes evident collection is doubtful. An allowance of $1,420,000 and $1,431,000 was established as of March 31, 1992 and December 31, 1991, respectively.

Net income and shareholders' equity of U.S. insurance subsidiaries, as filed with regulatory authorities on the basis of statutory accounting practices, are as follows (in thousands):

Period	Statutory Shareholders' Equity	Statutory Net Income
At March 31, 1992	$14,348	
Three months ended March 31, 1992		$ 856
At December 31, 1991	$13,409	
At March 31, 1991	$11,939	
Three months ended March 31, 1991		$ 503

The Company had consolidated EPIC and shown a minority interest in the consolidated financial statements. During 1991, the Company's ownership interest in EPIC increased to 100% as a result of EPIC's repurchase in the second and fourth quarters of the minority interest shares. Effective December 31, 1991, EPIC was amalgamated into NICI. The following proforma schedule shows the effect on net income, average shares outstanding and earnings per share had Nobel owned 100% of EPIC as of January 1, 1991. The proforma adjustment to operating income before minority interest was for imputed investment earnings on the cash purchase price.

	Three months ended March 31, 1991	
	As Reported	Proforma
Operating income before minority interest	$ 903	$ 872
Minority interest	(91)	--
Net income	$ 812	$ 872
Average capital shares outstanding	6,970,336	6,970,336
Earnings per share:		
Operating income	$ .13	$ .13
Minority interest	(.01)	--
Net income	$ .12	$ .13

The Company filed a Form 8-K with the SEC to report the acquisition of the LPG Risk Retention Group Holding Company, Inc. on April 10, 1992. The Company acquired 100% of the 8,000,000 shares as follows: 3,503,700 shares, or 44%, for $1.10 net cash per share pursuant to a tender offer commenced on March 12, 1992; 3,051,824 shares, or 38%, from the LP Gas Risk Retention Group Safety Foundation in consideration for extinguishment of unpaid debt principal and interest it owed to the Company; and 1,444,476 shares, or 18%, for $1.10 net cash rights per share from minority shareholders pursuant to a cash-out merger under Delaware law on April 14, 1992. The acquisition will be accounted as a purchase and will result in approximately $829,000 goodwill which will be amortized on a declining balance basis over five years to match investment earnings on assets supporting the purchased run-off insurance liabilities. The following table gives proforma effect to the acquisition of 100% of the outstanding stock of LPG Holding as if the transaction occurred on January 1, 1992:

	Three months ended March 31, 1992	
	As Reported	Proforma
Revenues:		
Net premiums written	$ 1,300	$ 2,226
Net premiums earned	$ 3,216	$ 4,513
Interest income	1,309	1,517
Realized investment gains	112	261
Other income	64	64
Total	4,701	6,355
Expenses:		
Claims and claims expense	1,627	2,711
Operating expenses	1,659	2,366
Total	3,286	5,077
Net income	$ 1,415	$ 1,278
Net income per share	$ .22	$ .19

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The principal cash requirements of the Company consist of claims payments and operating expenses. The Nobel U.S. Group's non-insurance operations incur substantially all of the administrative expenses. The principal sources of cash to pay these expenses are service fees and commissions based on premiums and administrative service fees from the Domestic Companies and the Nobel Reinsurers.

The source of liquidity for claims payments consists of net premiums, after deduction for expenses, plus investment income on the balances of such premiums prior to their use to pay claims. These invested balances are also used for collateral to secure the ceding insurers' reinsurance reserves. The collateral requirements for reinsurance ceded to the Nobel Reinsurers by INA is being satisfied by a combination of letters of credit and trust balances. The settlement of all claims and claims expenses is being withdrawn from the trust account or deducted from net reinsurance settlements into the trust account.

United States insurance regulations require the ceding insurers to maintain approved collateral for reinsurance balances, including reserves for unearned premiums and unpaid claims and claims expenses ceded to non-admitted reinsurers. The collateral requirements for reinsurance ceded to the Nobel Reinsurers by INA is being satisfied by a combination of letters of credit and trust fund balances. The combined amount of letters of credit and market value of trust assets at March 31, 1992 is $61,286,000.

The terms of the Nobel Reinsurers' letter of credit facility requires collateral equal to the amount of letters of credit issued plus a negotiated market value margin for investments other than short-term investments. At March 31, 1992, the collateral consisted of short-term bank deposits and AAA-rated fixed income securities which require a 5% margin.

At March 31, 1992, the Company had cash and investments of $92,766,000, of which $69,824,000 was collateralized or pledged to secure the U.S. insurers that have ceded reinsurance to the Company, and to maintain security deposits in the U.S. with various state insurance departments. A decreasing balance of cash and investments is consistent with the reduced premium levels since 1988 as the claims reserves associated with higher premium levels are settled.

The Company carries its investments designated as trading portfolio investments at market value. During the quarter, the Company sold $1,530,000 of trading portfolio investments to realize capital gains of $74,000. Generally, it is the intention of the Company to hold bonds and notes until maturity. The Company's investment guidelines prescribe a portfolio structure of maturities to provide adequate liquidity to settle claims liabilities. The portfolio continues to be conservatively invested in high quality money market securities, United States government securities and United States government guaranteed mortgage-backed securities.

Results of Operations
Three months 1992 versus Three months 1991

The composition of the net income for 1992 as compared to the net income for 1991 by type of operation is as follows:

	1992	1991
	(In thousands)	
Underwriting operations	$ (71)	$ (1,070)
Investment and other income	1,486	1,973
Minority interest	—	(91)
Net income	$ 1,415	$ 812

Premiums written increased $1,492,000, or 77%, over 1991. Reinsurance purchased increased $660,000, or 45%. Premium gains from new business continued in all programs. The premium declines experienced in the explosives casualty program in 1991 did not recur. Reinsurance purchased reflects the increased quota share cession for the low-value dwelling program which applied to the business in-force at January 1, 1992 and resulted in $511,000 additional premium to reinsure the unearned premium reserve. Premiums for the specialized haulers casualty program are generally recorded on a monthly reporting basis. Therefore, premium writings for this program will reflect the earned premium. Also, premium writings for the explosives casualty program are seasonally low in the first quarter. Premium writings for the LPG casualty program will commence during the second quarter.

The Company estimates claims and claims expenses based on historical experience and payment and reporting patterns for the type of risk involved. The favorable loss development trends which the Company has experienced since 1989 continued to have a positive impact on earnings. Favorable prior years' loss reserve development for the explosives casualty program contributed $750,000 to earnings in 1992 compared to $500,000 in 1991.

Expenses, which include net service fees and commissions and all general and administrative expenses, were 112% and 260% of net written premiums for 1992 and 1991, respectively. The following table shows the components of net service fees and commissions:

	Three months ended March 31	
	1992	1991
	(In thousands)	
Commissions, fronting, and taxes expense	$ 1,087	$ 104
Ceding commission income	(1,024)	(580)
Service fee income	(247)	(251)
Change in deferred acquisition costs	389	245
	$ 205	$ (482)

Commissions, fronting and taxes expense in 1991 reflected the premium declines in the explosives casualty program. Ceding commission income in 1992 reflected the increased quota share cession for the low-value dwelling program and included $204,000 related to the additional premium to reinsure the unearned premium reserve. General and administrative expenses decreased $298,000, or 17%, over 1991 and were on target with budgeted expenses.

The effect of inflation on net income was not significant to the Company's results during this period.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders of the Company held on May 8, 1992, the following proposal was submitted to a vote of the shareholders of the Company:

(i) To approve an amendment to the Company's Non-Employee Directors Stock Option Plan that changes the valuation date of options granted under said plan to December 31. Such proposal was approved at the meeting with 5,270,276 votes cast in favor of the proposal, 60,807 votes cast against the proposal and 11,530 votes abstaining.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

The Company filed a Form 8-K Current Report of the acquisition, on April 10 and April 14, 1992, by Nobel Holdings, Inc., a Delaware corporation and wholly owned subsidiary, of 6,555,524 shares and 1,444,476 shares respectively, representing 100% of the issued and outstanding capital stock of LPG Risk Retention Group Holding Company, Inc. The Company filed with the Form 8-K the audited financial statements of the business acquired as of December 31, 1991 and unaudited proforma condensed consolidated balance sheet and statement of operations of the Company as of December 31, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto

NOBEL INSURANCE LIMITED

Jeffry K. Amsbaugh
Chief Executive Officer

Bryan L. Martin
Senior Vice President and Treasurer

May 13, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

☒ Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1992

☐ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _______

Commission file number 0-17399

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PROCESSED BY
MAY 15 1992
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Q-Data Corp. - St. Petersburg, FL

NU-WEST INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

a Delaware corporation (State or other jurisdiction of incorporation or organization)	82-0415557 (I.R.S. Employer Identification No.)
8400 East Prentice Avenue, Suite 1320 Englewood, Colorado (Address of principal executive offices)	80111 (Zip Code)

BEST COPY AVAILABLE

Registrant's telephone number, including area code: (303) 721-1396

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 30, 1992, the following shares of the registrant's common stock were outstanding:

Common Stock, $.01 par value	14,964,567 shares

PART I. FINANCIAL INFORMATION

Item 1. Financial statements

NU-WEST INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	(in thousands)	
	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,962	$ 1,642
Receivables, net of allowance for doubtful accounts of $360,000 and $333,000	12,221	5,537
Inventories	17,191	22,339
Prepaid expenses and other current assets	1,919	3,349
Total current assets	33,293	32,867
INVESTMENT IN AND ADVANCES TO THE CONDA PARTNERSHIP	17,210	18,885
PROPERTY, PLANT AND EQUIPMENT	47,102	44,670
Less accumulated depreciation and amortization	(16,626)	(13,812)
	30,476	30,858
DEFERRED COSTS AND OTHER ASSETS	3,717	5,272
Total assets	$ 84,696	$ 87,882
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 7,093	$ 5,419
Accounts payable	1,925	2,071
Accrued liabilities	9,263	9,090
Total current liabilities	18,281	16,580
LONG-TERM DEBT, including $10,350,000 payable to related parties	53,887	53,581
OTHER LIABILITIES	26	1,500
DEFERRED INCOME TAXES	1,064	1,064
MINORITY INTEREST	422	476
Total liabilities	73,680	73,201
STOCKHOLDERS' EQUITY:		
Preferred stock, Class A, $100 par value, 290,000 shares authorized and outstanding	29,000	29,000
Preferred stock, Class B, $100 par value, 20,000 shares authorized and outstanding	2,000	2,000
Common stock, $.01 par value, 35,000,000 shares authorized, 14,964,567 shares outstanding	150	149
Additional paid-in capital	40,096	40,044
Warrants to purchase common stock	4,554	4,414
Retained earnings (deficit)	(64,784)	(60,926)
Total stockholders' equity	11,016	14,681
Total liabilities and stockholders' equity	$ 84,696	$ 87,882

The accompanying notes to financial statements are an integral part of this statement

NU-WEST INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	1992 (Unaudited)	1991 (Unaudited)	1992 (Unaudited)	1991 (Unaudited)
Net Sales	$ 22,787	$ 17,641	$ 71,121	$ 68,700
Cost of Sales	20,004	16,005	64,892	61,545
Gross Operating Margin	2,783	1,636	6,229	7,155
Selling, General and Administrative Expense	1,073	1,053	3,013	2,953
Litigation Settlement	-	1,300	-	1,300
Interest Expense	2,361	2,296	7,207	6,899
Other (Income) Expense	(22)	(82)	(80)	(171)
Income (Loss) Before Income Taxes & Minority Interest	(629)	(2,931)	(3,911)	(3,826)
Provision for Income Taxes	-	-	-	-
Minority Interest	22	12	53	12
Net Income (Loss)	$(607)	$(2,919)	$(3,858)	$(3,814)
Net Income (Loss) per Common Share	$(.09)	$(.25)	$(.42)	$(.42)
Weighted Average Shares Outstanding	14,965	14,889	14,965	14,889

The accompanying notes to financial statements
are an integral part of this statement.

NU-WEST INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Nine Months Ended March 31, 1992

(in thousands, except share amounts)
(Unaudited)

	PREFERRED STOCK CLASS A		PREFERRED STOCK CLASS B		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	WARRANTS TO PURCHASE COMMON STOCK	RETAINED EARNINGS (DEFICIT)
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, June 30, 1991	290,000	$29,000	20,000	$2,000	16,889,000	$149	$40,044	$4,414	$(60,926)
Stock Issued					76,000	1	52		
Current period adjustment for previously issued stock options and warrants (net)								140	
Net loss for period									(3,858)
Balance, March 31, 1992	290,000	$29,000	20,000	$2,000	16,965,000	$150	$40,096	$4,554	$(64,784)

The accompanying notes to financial statements are an integral part of this statement.

NU-WEST INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	For the Nine Months Ended March 31, 1992 (Unaudited)	For the Nine Months Ended March 31, 1991 (Unaudited)
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net income (loss)	$ (3,858)	$(3,814)
Non-cash expenses	5,492	5,190
Changes in operating assets and liabilities	(1,873)	541
Net cash provided by (used for) operating activities	(239)	1,917
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Capital expenditures	(1,919)	(1,526)
Other	774	(610)
Sale of fixed assets	-	15
Net cash used for investing activities	(1,145)	(2,121)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving lines of credit	78,078	81,433
Principal payments on revolving lines of credit	(74,769)	(78,263)
Proceeds from long-term debt	3,000	3,500
Principal payments on long-term debt	(4,605)	(5,091)
Net cash provided by financing activities	1,704	1,579
NET INCREASE (DECREASE) IN CASH	320	1,375
CASH AT BEGINNING OF PERIOD	1,642	179
CASH AT END OF PERIOD	$ 1,962	$ 1,554
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 6,143	$ 5,224
Cash paid for income taxes	-	-

The accompanying notes to financial statements are an integral part of this statement.

NU-WEST INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) BASIS OF PRESENTATION

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary to present fairly the results for the interim periods, on a basis consistent with the annual audited statements. The adjustments made were of a normal recurring nature except as otherwise disclosed herein. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. These financial statements should be read in connection with the financial statements and the summary of significant accounting policies and notes thereto included in the Form 10-K filed by the Company for the year ended June 30, 1991.

(2) INVENTORIES

Inventories are stated at the lower of first-in, first-out cost or market (net realizable value) and include the cost of materials, labor and manufacturing overhead.

Inventories consisted of the following:

	(in thousands)	
	March 31, 1992	June 30, 1991
Finished goods	$ 6,024	$ 5,910
Work in Progress	1,398	1,564
Raw Materials	7,509	12,619
Supplies	2,260	2,246
	$ 17,191	$ 22,339

(3) EARNINGS PER SHARE

Net income (loss) per common share was computed by dividing income (loss) attributable to common shareholders (net loss plus preferred stock dividend requirements of $798,000 and $2,394,000 for the three months and nine months, respectively, ended March 31, 1992 and 1991) by the weighted average number of common shares outstanding during the period. The effect of the Company's common stock equivalents was anti-dilutive for the three and nine month periods ended March 31, 1992 and 1991.

(4) FINANCING

The Company executed an amended and restated Loan and Security Agreement with Barclays Business Credit, Inc. ("Barclays") on October 15, 1991 (the "Agreement") which provides for a $20 million credit facility through August 31, 1993. The Agreement permits borrowings to 85% of eligible accounts receivable, 35% of eligible phosphate ore inventories and 70% of other eligible raw materials and finished goods inventories, subject to a $1,500,000 reserve during all but three months of the year. Interest accrues at prime plus 1% (7½% at March 31, 1992) and the Company pays an annual commitment fee of $200,000. An additional fee of $100,000 is payable at the end of the loan term. Unused borrowing capacity was approximately $3.7 million and outstanding borrowings totalled $12.1 million at March 31, 1992.

NuTec Mineral & Chemical Company ("NuTec"), a general partnership in which a wholly-owned subsidiary of the Company, Nu-West Minerals, Inc., owns an 80% interest, obtained a $3 million senior secured term loan from General Electric Capital Corporation ("GECC") on January 9, 1992. The loan bears interest at a fixed rate of 10.64% with interest and principal payable quarterly through October 1, 1994. The lender also received a profit sharing interest in the partnership based on annual cash flow for a period of ten years. The Company has guaranteed the loan and the payment by NuTec of the profit sharing interest, if any, and the guarantee is collateralized by assets of NuTec, a senior secured position in the Conda Plant and certain other assets of the Company during the term of the loan.

(5) EMPLOYEE STOCK GRANT PLAN

In May 1991, the Company adopted the Employee Stock Grant Plan which provides for the issuance of the Company's common stock to eligible employees, other than senior management, as defined by the plan. On July 1, 1991, the Company issued 75,900 shares pursuant to this plan. Issuance of 300 shares per employee on July 1, 1992 and 400 shares per employee on July 1, 1993 has been authorized.

(6) CONTINGENCIES

During the time that Nu-Gulf Industries, Inc. ("Nu-Gulf") was a wholly owned subsidiary, the Company guaranteed performance or payment of certain capital leases or other obligations of Nu-Gulf. Certain of these obligations continue to exist. At March 31, 1992, these obligations included certain capital leases with remaining lease payments of approximately $1,011,000 and ongoing liability associated with a certain deep water port lease. The deep water port lease requires a minimum annual throughput of 1,000,000 tons at $.14 per ton through May 1995. While Nu-Gulf, which was sold on January 31, 1990, has indemnified the Company from any liability under these obligations, the Company remains liable should Nu-Gulf fail to perform. Gulf Atlantic Corporation, the purchaser of Nu-Gulf, has posted irrevocable letters of credit totalling $710,000 to protect the Company against financial exposure from these obligations.

To date, the Company has not been required to perform under these obligations and is unaware of existing circumstances requiring performance.

In February 1990 Nu-South Industries, Inc. ("Nu-South"), a wholly owned subsidiary of the Company, filed a voluntary petition seeking relief under the provisions of Chapter 7 of the U.S. Bankruptcy Code. During fiscal year 1991, the Trustee executed and delivered to Mississippi Chemical Corp. ("MCC") deeds in lieu of foreclosure and related instruments covering the Pascagoula plant owned by Nu-South, and conveyed the balance of the tangible assets of Nu-South to MCC. The Trustee has conducted a preliminary review of Company documents relating to Nu-South, and has taken the deposition of certain of the Company's officers and directors. In October 1991, the Company was notified of the Trustee's intention to pursue the investigation of possible claims against the Company and its current and former officers and directors. In January 1992, the Trustee filed complaints in the Bankruptcy Court against various third party vendors of Nu-South, seeking to set aside and recover certain pre-filing payments as preferences totalling approximately $2.9 million. The Trustee asserts that approximately $1.8 million of this amount represents payments to vendors of Nu-South for which the Company had guaranteed payment or performance. Should the Trustee prevail in the recovery action, the Company can expect vendors who had obtained guarantees to pursue claims against it. In addition, the Trustee filed a complaint asserting preferential transfers and fraudulent conveyance claims against the Company for recovery of unspecified amounts in excess of $100,000. The Trustee continues to review possible additional claims against the Company, including claims which may assert that Nu-West should be held liable for debts of Nu-South. While the potential exists for financial exposure to the Company, such liability cannot be assessed at this time. The Company intends to pursue vigorously its defenses to claims asserted by the Trustee.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Nu-West Industries, Inc. (the "Company") is engaged in the production and sale of concentrated, phosphate-based fertilizer from its production facilities at Conda. Idaho to markets primarily in Western North America. The Company operates on a fiscal year basis, and all references to "fiscal" years are to the twelve month period ending June 30 of that year.

The fertilizer industry is a commodity-oriented business and has experienced wide-ranging volatility in prices from year to year. Changing government farm policy, weather, international politics, and fluctuations in export demand are among factors contributing to instability in the market. Fiscal 1991 recorded improvement in product prices and demand from the previous year; however, the Company has experienced a reduction in product prices during fiscal 1992. While product shipments for the nine months ended March 31, 1992 increased 7% over the prior year nine-month period, product prices have declined by 3-4% versus the same period.

The fertilizer market continues to be difficult to forecast, in spite of currently positive fundamental economic factors relating to the domestic farm economy and domestic and export fertilizer demand. Adverse weather conditions in certain areas of the U.S., both early in the 1991 Fall season and during the 1992 Spring season, delayed the planting of crops and may have contributed to reduced domestic demand and falling prices. Uncertainty over the timing of anticipated future fertilizer export requirements may also be a major factor in the current market price decline considering that over two-thirds of domestically-produced diammonium phosphate ("DAP") is exported, the majority going to either India or China. Although the Company's market has not historically included overseas shipments, its prices are directly influenced by general industry trends as determined by uncertainties and factors such as those described.

RESULTS OF OPERATIONS

Three Months Ended March 31, 1992

The Company's net loss for the quarter ended March 31, 1992 was $607,000 or $.09 per share as compared to a net loss of $2.9 million or $.25 per share for the comparable prior year quarter. Included in the loss for the quarter ended March 31, 1991 was a provision for litigation settlement of $1.3 million. Net sales were $22.8 million for the current quarter as compared to $17.6 million for the corresponding quarter in the previous fiscal year. This increase is due to a 37% increase in sales volume during the current quarter when compared to sales volumes for the previous fiscal year's third quarter on an equivalent basis, offset by a 6% decline in product prices for liquid fertilizer products and a 3-6% decline in prices for dry fertilizer products.

The gross operating margin for the three months ended March 31, 1992 was $1.1 million higher than that for the similar period in 1991. This increase was a result of the increased volumes described above as well as a decrease in production costs of 3-6% for dry fertilizer products and a 7% decrease for liquid fertilizers. Production costs declined primarily due to a 43% reduction in sulfur costs, one of the Company's primary raw materials; however, this decrease was partially offset by a 6% increase in the cost of phosphate rock, another significant raw material.

Selling, general and administrative ("SGA") expense increased slightly from the prior year period but decreased as a percentage of sales from 6% to 4.7% due to the increase in sales revenue. Interest expense is slightly higher during the current quarter in spite of a reduction in long-term debt due to higher interest expense on the Company's revolving credit facility and interest on the $3 million term loan obtained by NuTec in January of 1992, which is consolidated with the Company's operations.

Nine Months Ended March 31, 1992

The Company's net loss for the nine months ended March 31, 1992 was $3.9 million or $.42 per share as compared to a loss of $3.8 million or $.42 per share for the comparable prior year period. The loss for the nine months ended March 31, 1991 includes the $1.3 million litigation settlement described previously. Net sales were $71.1 million as compared to $68.7 million for the prior year period. This increase in sales revenue is due to a 7% increase in sales volume during the first nine months of the current fiscal year as compared to the prior year, offset by a 3% decline in product prices for liquid fertilizer and an average 4% decline in prices for dry products.

The gross margin of $6.2 million compares to a margin of $7.2 million for the comparable prior year period. This decline in margin is a result of the decline in sales prices discussed above which was not entirely offset by a 2% decline in production costs. A 33% decline in sulfur costs was partially offset by a 6% increase in phosphate rock costs. Production costs during the fourth quarter are expected to continue to be 3-7% below those of the previous year's fourth quarter, with little change anticipated in sulfur costs.

SGA expense has increased slightly and was 4.2% of net sales revenue for both periods. Interest expense increased $308,000 to $7.2 million as compared to $6.9 million. This increase occurred in spite of a reduction in long-term loan balances, due to interest expense associated with the $3.5 million term loan obtained in November 1990 which was outstanding for the entire period in fiscal 1992 and the $3 million term loan obtained by NuTec in January 1992. Also, interest expense increased on the Company's revolving credit facility because of a larger average outstanding balance when compared to the previous year.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of approximately $15.0 million and a current ratio of 1.8:1 at March 31, 1992. The Company's revolving credit facility with Barclays Business Credit, Inc.

("Barclays"), was extended to August 31, 1993 by an Amended and Restated Loan and Security Agreement dated October 15, 1991, and is currently classified as long-term debt. Unused borrowing capacity was approximately $3.7 million and outstanding borrowings totalled $12.1 million at March 31, 1992.

In October 1991, the Company received written notice from the Trustee for Nu-South Industries, Inc. ("Nu-South"), of his intent to pursue his investigation of possible claims against the Company and its current and former officers and directors. Nu-South is a wholly-owned subsidiary of the Company which filed for protection from creditors under Chapter 7 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Mississippi ("Bankruptcy Court") in February 1990. The Trustee has conducted a preliminary review of Company documents relating to Nu-South, and has taken the deposition of certain of the Company's officers and directors. In January 1992, the Trustee filed complaints in the Bankruptcy Court against various third party vendors of Nu-South, seeking to set aside and recover certain pre-filing payments as preferences totalling approximately $2.9 million. The Trustee asserts that approximately $1.8 million of this amount represents payments to vendors of Nu-South for which the Company had guaranteed payment or performance. Should the Trustee prevail in the recovery action, the Company can expect vendors who had obtained guarantees to pursue claims against it. In addition, the Trustee filed a complaint asserting preferential transfers and fraudulent conveyance claims against the Company for recovery of unspecified amounts in excess of $100,000. The Trustee continues to review possible additional claims against the Company, including claims which may assert that Nu-West should be held liable for the debts of Nu-South. While the potential exists for financial exposure to the Company, such liability cannot be assessed at this time. The Company is pursuing and intends to continue to pursue vigorously its defenses to any claims asserted by the Trustee.

Phosphate fertilizer prices have declined during the nine months ended March 31, 1992, and the phosphate fertilizer market continues to be volatile and difficult to forecast. In recent months, industry expectations were raised for product price and demand improvement based on relatively low domestic fertilizer inventories, continued strength in fertilizer export markets, increased farm income due to significantly improved grain commodity prices because of low worldwide grain stocks, and reduced government set-aside programs for domestically planted acreage of wheat and corn. Factors that cannot be known in advance, however, such as weather conditions, future export demand, and other unidentified market forces, have had and may continue to have a significant adverse effect on domestic fertilizer prices. Also difficult to assess is the impact of the recent completion of the sale of production facilities by a major competitor of the Company located in the western U.S. Currently, product prices are disappointing, although the cost of sulfur, a key element of production costs, remains at relatively low levels and has contributed to somewhat improved product margins as the 1992 Spring season fertilizer market proceeds.

Despite lower than expected product pricing, the Company has continued to meet its liquidity requirements from results of operations. There can be no assurance, however, that results of operations will continue to be sufficient to meet those needs. The Company's amortization schedule of long-term debt requires substantial quarterly principal repayment prior to, and significant lump-sum payments at maturity in, October 1994. The Company may have to seek principal payment concessions from its senior secured lenders as early as the first quarter of fiscal 1993 based on a forecast using current market conditions and seasonal working capital needs. Because the Company is uncertain whether it will be able to satisfy its long-term debt solely from results of operations, it will attempt to refinance most of such debt prior to maturity.

On January 9, 1992, a $3 million senior secured term loan was obtained by NuTec Mineral & Chemical Company ("NuTec"), a general partnership in which a wholly-owned subsidiary of the Company, Nu-West Minerals, Inc., owns an 80% interest. NuTec was formed for the purpose of extracting high purity synthetic silica from phosphoric acid production at the Company's Conda Plant and processing the extracted material into commercial products at its facilities in South Dakota. NuTec is using the proceeds of the term loan to finance scale-up of the process to commercial production levels. Construction is anticipated to be completed in the quarter ended June 30, 1992 with a planned annual production capacity of 1,000 tons. If successfully operated on a commercial basis, the Company believes the process has the potential to enhance profitability and diversify the operations of its Conda facility. However, there can be no assurance that NuTec will be successful in operating the process at commercial production levels or in marketing its products. The Company has guaranteed the loan to NuTec, and the payment by NuTec of a profit sharing interest, if any. The guarantee is collateralized by assets of NuTec, a senior secured position in the Conda Plant and certain other assets of the Company during the term of the loan.

The Company has entered into a non-binding letter of intent to purchase Western Cooperative Fertilizers (U.S.) Inc. ("WCF(US)"), the wholly-owned subsidiary of Western Co-Operative Fertilizers Limited ("WCFL") which owns a 50% interest in the Conda Partnership. The Conda Partnership, in which the Company already owns a 50% interest, owns significant phosphate ore reserves in southeastern Idaho and processing facilities adjacent to the Company's Conda Plant, and supplies the Company with substantially all of its phosphate ore requirements. Such purchase would be subject to the approval of both companies' lenders and Boards of Directors, the obtaining of financing by WCFL to satisfy cancellation of phosphate rock sales contracts with WCF(US), and the satisfaction of other closing conditions. The purchase, which would be effected by a long-term note from the Company to WCFL, is expected to result in increased cash availability in the short term to the Company due to the termination of existing obligations of the Company. The letter of intent will expire unless closing conditions are met prior to July 15, 1992. There can be no assurance that the transaction will be completed or that conditions to closing can be satisfied.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NU-WEST INDUSTRIES, INC.

Dated: May 13, 1992

Senior Vice President and
Chief Financial Officer

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OF 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended February 1, 1992 Commission File Number 0-1989

Seneca Foods Corporation /k y/
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	16-0733425 (I. R. S. Employer Identification No.)
1162 Pittsford-Victor Road, Pittsford, New York (Address of principal executive offices)	14534 (Zip Code)

Registrant's telephone number, including area code 716/385-9500

Not Applicable
Former name, former address and former fiscal year,
if changed since last report

Check mark indicates whether registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of each of the issuer's classes of common stock at the latest practical date are:

Class	Shares Outstanding at February 29, 1992
Common Stock, $.25 Par	3,093,666

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SENECA FOODS CORPORATION AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION
SENECA FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(In Thousands of Dollars)

	February 1, 1992 (Unaudited)	July 31, 1991 (Audited)
ASSETS		
Current Assets:		
Cash and Short-Term Investments	$ 400	$ 1,784
Accounts Receivable, Net	37,049	27,226
Inventories:		
Finished Goods	75,840	45,478
Work in Process	27,789	15,546
Raw Materials	20,777	31,224
	124,406	92,248
Off-Season Reserve	(11,596)	-
Other Current Assets	555	550
Total Current Assets	150,814	121,808
Property, Plant and Equipment, Net	83,041	82,754
Common Stock of Moog Inc.	5,237	6,079
Other Assets	395	429
	$239,487	$211,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	$ 37,700	$ -
Accounts Payable	19,846	22,798
Accrued Expenses	12,226	12,861
Current Portion of Long-Term Debt and Capital Lease Obligations	6,441	8,446
Total Current Liabilities	76,213	44,105
Long-Term Debt	65,267	67,421
Capital Lease Obligations	11,644	12,517
Deferred Income Taxes	10,132	10,229
10% Preferred Stock, Series A, Voting, Cumulative, Convertible, $.025 Par Value Per Share	10	10
10% Preferred Stock, Series B, Voting, Cumulative, Convertible, $.025 Par Value Per Share	10	10
6% Preferred Stock, Voting, Cumulative, $.25 Par Value Per Share	50	50
Common Stock	1,955	1,955
Additional Paid-In Capital	3,615	3,615
Net Unrealized Loss on Noncurrent Securities	(841)	-
Retained Earnings	71,432	71,158
Stockholders' Equity	76,231	76,798
	$239,487	$211,070

The accompanying notes are an integral part of these financial statements.

SENECA FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

(In Thousands, except Share Data)

	Three Months Ended		Six Months Ended	
	2/1/92	1/26/91	2/1/92	1/26/91
Net Sales	$ 87,841	$ 89,917	$ 174,367	$ 169,991
Other Income	-	-	-	-
Total Revenues	87,841	89,917	174,367	169,991
Costs and Expenses:				
Cost of Product Sold	77,367	74,600	152,772	142,331
Selling and Administrative	7,547	9,694	15,595	18,778
Interest Expense	2,907	2,673	5,589	4,962
Total Costs and Expenses	87,821	86,967	173,956	166,071
Earnings Before Income Taxes	20	2,950	411	3,920
Income Taxes	(24)	1,405	125	1,861
Net Earnings	$ 44	$ 1,545	$ 286	$ 2,059
Net Earnings Applicable to Common Stock	$ 38	$ 1,539	$ 274	$ 2,047
Weighted Average Common Shares Outstanding	3,098,108	3,098,110	3,098,108	3,098,110
Primary and Fully Diluted Earnings Per Share of Common Stock (Exhibit II):				
Net Earnings	$ .01	$ .50	$ .09	$ .66

The accompanying notes are an integral part of these condensed financial statements.

SENECA FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)

	Three Months Ended		Six Months Ended	
	2/1/92	1/26/91	2/1/92	1/26/91
Cash Flows From Operating Activities:				
Net Earnings	$ 44	$ 1,545	$ 286	$ 2,059
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,377	2,043	4,679	3,992
Deferred Income Taxes	(149)	382	(97)	(3,001)
Changes in Working Capital:				
Accounts Receivable	3,468	(2,066)	(9,823)	(11,083)
Inventories	12,157	17,808	(32,158)	(22,768)
Off-Season Reserve	(2,404)	(3,670)	11,596	9,226
Other Current Assets	240	(164)	(5)	(1,009)
Notes Payable	10,300	12,040	37,700	33,300
Accounts Payable and Accrued Expenses	(22,293)	(22,715)	(3,587)	(2,753)
Net Cash Provided by Operations	3,740	5,203	8,591	7,963
Cash Flows From Investing Activities:				
Purchases of Long-Term Investments	-	(82)	-	(82)
Disposal of Property, Plant, and Equipment	-	-	-	6
Additions to Property, Plant, and Equipment	(2,343)	(3,626)	(4,965)	(6,855)
Net Cash Used in Investing Activities	(2,343)	(3,708)	(4,965)	(6,931)
Cash Flows From Financing Activities:				
Payments and Current Portion of Long-Term Debt and Capital Lease Obligations	(1,402)	(1,500)	(5,032)	(4,294)
Other	17	17	34	34
Dividends Paid	(12)	(12)	(12)	(12)
Net Cash Used in Financing Activities	(1,397)	(1,495)	(5,010)	(4,272)
Net Decrease in Cash and Short-Term Investments	-	-	(1,384)	(3,240)
Cash and Short-Term Investments, Beginning of Period	400	400	1,784	3,640
Cash and Short-Term Investments, End of Period	$ 400	$ 400	$ 400	$ 400

The accompanying notes are an integral part of these condensed financial statements.

SENECA FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

February 1, 1992

(Unaudited)

1. Consolidated Condensed Financial Statements

   In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the financial position of the Company as of February 1, 1992 and July 31, 1991 and results of operations for the three and six month period ended February 1, 1992 and January 26, 1991. All significant intercompany transactions and accounts have been eliminated in consolidation.

   The results of operations for the three and six month period ended February 1, 1992 and January 26, 1991 are not necessarily indicative of the results to be expected for the full year.

   The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1991 Seneca Foods Corporation Annual Report and 10-K.

   Other footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes included in the Company's July 31, 1991 financial report.

2. Primary earnings per share are based on the weighted average number of common shares outstanding, as the effect of common stock equivalents is immaterial. The difference between primary and fully diluted earnings per share is immaterial.

3. Off-Season Reserve is the excess of absorbed expenses over incurred expenses to date. The seasonal nature of the Registrant's Food Processing segment results in a timing difference between expenses (primarily overhead expenses) incurred and absorbed into product cost. All Off-Season Reserve balances are zero at fiscal year end.

4. The Registrant's investment in the common stock of Moog Inc. is carried at the lower of aggregate cost or market. The market value and carrying value of these securities was $5,237,000 as of February 1, 1992. There were no realized gains or losses during the periods presented. Unrealized losses were $841,000 at February 1, 1992.

SENECA FOODS CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

February 1, 1992

Results of Operations:

Sales:

Sales reflect a decrease of 2.3% for the quarter and an increase of 2.6% for six months versus 1991. For six months, the Food Processing Sales showed a 0.6% increase while the other segments' Sales increased by 13.2% versus 1991 largely due the Textile seqments sales increase.

Costs and Expenses:

The following table shows costs and expenses as a percentage of sales:

	Three Months Ended		Six Months Ended	
	2/1/92	1/26/91	2/1/92	1/26/91
Cost of Product Sold	88.1%	82.9%	87.6%	83.6%
Selling	6.1	7.2	6.1	7.6
Administrative	2.5	3.6	2.8	3.5
Interest	3.3	3.0	3.2	2.9
	100.0%	96.7%	99.7%	97.6%

In Cost of Product Sold the percentages reflect lower profitability than in the prior year in the Food segment. Lower selling percent of sales reflects the decreased advertising and consumer promotion expenditures in the current year over the prior year.

Income Taxes:

The effective tax rate used in fiscal 1992 is 30% as compared with 47% in the prior year.

Financial Condition:

The financial condition of the Company is summarized in the following table and explanatory review (In Thousands):

	For the Quarter Ended January		For the Year Ended July	
	1992	1991	1991	1990
Working Capital Balance	$74,601	$53,271	$77,703	$61,590
Working Capital Change (Quarter)	(220)	(1,246)		
Current Ratio	1.98:1	1.65:1	2.76:1	2.18:1
Days Sales in Receivables	39	39	31	26
Inventory (Average) Turnover	2.8	3.0	2.9	3.2

The change in the Working Capital for the quarter from the prior year is largely due to lower capital expenditures in the current year than the prior year.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit II - Computation of earnings per share

(b) Reports on Form 8-K - None during the quarter.

EXHIBIT II

SENECA FOODS CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

(In thousands, except share data)

	Three Months Ended		Six Months Ended	
	2/1/92	1/26/91	2/1/92	1/26/91
Net Earnings Applicable to Common Stock				
Net Earnings	$ 44	$ 1,545	$ 286	$ 2,059
Deduct Preferred Cash Dividends	6	6	12	12
Net Earnings Applicable to Common Stock	$ 38	$ 1,539	$ 274	$ 2,047
Weighted Average Common Shares Outstanding	3,098,108	3,098,110	3,098,108	3,098,110
Effect of Common Stock Equivalent	-	-	-	-
Weighted Average Common Shares Outstanding for Primary Earnings per Share	3,098,108	3,098,110	3,098,108	3,098,110
Primary and Fully Diluted Earnings Per Share	$ .01	$ .50	$ .09	$ .66

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Seneca Foods Corporation
(Registrant)

March 16, 1992

/s/Frederick W. Leick
Frederick W. Leick
President and
Chief Executive Officer

March 16, 1992

/s/Kraig H. Kayser
Kraig H. Kayser
Vice President and
Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Seneca Foods Corporation
(Registrant)

March 16, 1992

Frederick W. Leick
President and
Chief Executive Officer

March 16, 1992

Kraig H. Kayser
Vice President and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ending March, 1992
Commission file # 33-19194

Staun Bancorp, Inc.
417 West North Street
Staunton, Illinois 62088

IRS Employee ID Number
37-1224472

Telephone Number
(618)635-5100

The registrant, Staun Bancorp, Inc. (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CLASS	Outstanding March 31, 1992
common stock $5.00 par value	114,361

10-10 (1)

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STAUN BANCORP, INC.

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	Consolidated Statement of Income Three months ends March 31,1992 and 1991	2.
	Consolidated Statement of Cash Flows ended March 31, 1992	3.
	Consolidated Statement of Cash Flows ended March 31, 1991	4.
	Notes to Consolidated Financial Statements	5.
	Management's Discussion and Analysis of Financial Condition and Results of Operation	6.
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Form 10 Q
Staun Bancorp, Inc. and Subsidiary
Consolidated Statement of Condition
(unaudited)
March 31, 1992 and December 31, 1991
(In Thousands)

	March 31 1992	December 31 1991
Assets		
Cash & due from Banks		
Cash	$ 497	$ 251
Interest Bearing Deposit with Financial Institutions	2,162	2,257
Investment Securities, Market Value of $6,193,000 and $5,417,170 respectively	5,613	5,226
Federal Funds Sold	1,345	2,905
Loans: Net of Unearned Discount	9,319	8,398
Less Reserve for Possible Loan Loss	(46)	(45)
Net Loans	$ 1,273	$ 8,353
Other Real Estate Owned	75	-0-
Bank Premises Equipment, Furniture Fixtures and Land	175	180
Other Assets	209	184
Total Assets	19,349	19,356
	$	
Liabilities		
Demand Deposits	1,188	1,026
Interest bearing transaction accounts	1,908	1,774
Savings Deposits	2,677	2,821
Time Deposits	11,448	11,557
Total Deposits	$ 17,221	$ 17,198
Securities sold under agreement to repurchase	505	571
Federal Funds Purchased	-0-	-0-
Other Liabilities	179	174
Stockholders Equity	572	572
Common Stock $5.00 Par Value 114,361 Issued 114,361 Outstanding		
Surplus	283	283
Undivided Profits	589	558
Total Liabilities & Stockholder Equity	19,349	19,356

The accompanying notes are in an integral part of this consolidated financial statement.

FORM - 10 Q
Staun Bancorp, Inc. and Subsidiary
Consolidated Statement of Operations
(unaudited)
Three Months Ended March 31, 1992
and March 31, 1991
(In Thousands, except per share data)

	1992	1991
Operating Income:		
Interest & fees on loans	$ 221	$ 210
Interest on Securities	97	128
Interest on Funds Sold	19	7
Gain on Sale of Investment Securities	0	5
Other Operating Income	37	92
Total Operating Income	$ 374	$ 442
Operating Expenses:		
Salaries & Other Compensation	$ 65	$ 59
Interest Expense	193	251
Interest on Time Deposits $100,000 & over	13	31
Provision for Loan Loss	0	0
Other Operating Expenses	62	59
Total Operating Expenses	$ 333	$ 400
Income Before Income Taxes Extraordinary Items	41	42
Applicable Income Taxes	(9)	(8)
Income Before Extraordinary items	32	34
Extraordinary Items Less Related Tax Effect	0	0
Net Income	$ 32	$ 34
Earnings Per Common Shares	.28	.30

The accompanying notes are in an integral part of this consolidated financial statement.

Form 10 Q
Staun Bancorp, Inc. and Subsidiary
Consolidated Statement of Cash Flows
(Unaudited)
Period Ended March 31, 1991
(In Thousands)

	1991
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 34,497
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	6,792
Increase in interest receivable	(19,647)
Decrease in prepaid expenses	1,319
Increase in interest payable	21,705
Decrease in other accrued expenses	5,579
Accretion and amortization of investment securites	1,177
Increase in other liabilities	$ 8,694
	60,116
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investment securities	$ 558,530
Purchases of investment securities	(494,096)
Proceeds from maturities of interest bearing deposits	1,955,000
Purchases of interest bearing deposits	(2,939,000)
Net Decrease in credit card receivables	(6,251)
Longer term loans made to customers	(826,005)
Principal collected on loans	950,560
Capital expenditures	-0-
	$ (801,262)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net increase in demand deposits, interest bearing transaction accounts and savings deposits	$ (150,753)
Proceeds from sale of certificates of deposit	2,229,311
Payments for maturing certificates of deposit	(2,298,364)
	(219,806)
Net decrease in cash and cash equivalents	$ (960,952)
Cash and Cash equivalents at beginning of year	1,661,320
Cash and Cash equivalents at end of year	700,368

Disclosure of accounting policy:
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one- day periods.

See accompanying notes to consolidated financial statements.

Staun Bancorp, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Period Ended March 31, 1992
(Unaudited)
(In Thousands)

	1992
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 32,265
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	6,804
Accretion and Amortization of investment securities	1,975
Provision for credit losses	-0-
Changes in operating assets and liabilities:	
(Increase) decrease in accrued income and other assets	(35,014)
(Increase) decrease in accrued expenses and other liabilities	(11,339)
Net cash provided by operating activities	$ (5,309)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investment securities	857,164
Purchases of investment securities	$(1,233,707)
Net(increase) decrease in interest bearing deposits with financial institutions	95,000
Net(increase) decrease in federal funds sold	1,330,000
Net increase in loans	(889,000)
Purchases of bank premises and equipment	(70,567)
Net cash used in investing activities	88,890
CASH FLOWS FROM FINANCING ACTIVITIES	
Net increase in customers deposits	(47,278)
Net decrease in federal funds purchased and securities sold under agreement to repurchase	(66,252)
Repayment on long term debt	-0-
Dividends paid	-0-
Net cash provided by financing activities	$ (113,530)
Net Decrease in cash and cash equivalents	(29,949)
Cash and Cash equivalents at beginning of year	$ 533,769
Cash and Cash equivalents at end of period	$ 503,820

Disclosure of accounting policy:
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

See accompanying notes to consolidated financial statements.

Staun Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements
Unaudited

Note I Basis of Presentation

The financial information included herein on Staun Bancorp, Inc. and Subsidiary is unaudited, however, the information reflects all adjustments, consisting solely of normal recurring adjustments, which are in managements opinion necessary for a fair statement of results for the period.

The financial statements as of March 31, 1992 include the accounts of the Staun Bancorp, Inc. and its wholly owned subsidiary, First Community State Bank after eliminations of all material intercompany balances and transactions.

Note II Commitments and Contingent Liabilities

In the normal course of business, there are outstanding various commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

Staun Bancorp Inc. and Subsidiary
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain factors which have affected the Staun Bancorp, Inc. and Subsidiary's Financial position and operating results during the periods included in the accompanying consolidated financial statements.

The assets as of March 31, 1992 were $19,349,000.00 as compared to $19,356,000.00 for December 31, 1991, The total deposits for the period ending March 31, 1992 were $17,224,000, an increase of $ 23,000.00 over the period ending December 31, 1991.

The interest income for the first quarter of 1992 showed a slight decrease of $ 8,000 over that of the first quarter in 1991. The maturity of investments have been placed into the federal funds sold market and also into the loan portfolio. Interest income on loans is up by $ 11,000.00 and interest income on federal funds sold is up by $ 12,000.00 for the first quarter of 1992.

Interest expense for the first quarter of 1992 was $ 206,000.00 as compared to $ 282,000.00 in 1991. This decrease of $ 76,000 can be attributed to the continual drop in interest rates being paid on interest bearing accounts. This trend has been consistent over the past several months. It should be noted that if rates remain throughout the year, the company can see improved earnings in 1992.

Other operating expenses showed a moderate decrease in the first quarter of 1992 as compared to 1991. This downward trend is realized through continued monitoring of the day to day operating expenses of the company.

With the increase in income for the first quarter of 1992, management feels by continuing to monitor our operating and labor cost and also maintaining any increases to a minimum we can increase our non interest income. Also continued growth in loans and securities will allow us to improve our net interest margin.

Management feels the steps we have taken will aid us in improving the company's profitability and overall performance while continuing to provide high quality competitively priced banking services and satisfy the credit needs of the community.

PART II - OTHER INFORMATION

ITEM 6 Reports on Form 8 K

No Reports on Form 8 - K have been filed during the quarter ending March 31, 1992.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on its behalf by the undersigned thereunto duly authorized.

May 8, 1992

Jack A. Marantz, Chief Executive Officer
(Duly authorized officer)

Ray Carrion

Ray Carrion, Treasurer
(Principal Financial Officer)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-8467

WESBANCO, INC.
(Exact name of registrant as specified in its charter)

West Virginia	55-0571723
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Bank Plaza, Wheeling, WV	26003
(Address of principal executive offices)	(Zip Code)

304-234-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or, for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Outstanding at April 30, 1992, 2,706,664 shares.

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PART I FINANCIAL INFORMATION

Consolidated Balance Sheets at March 31, 1992 (unaudited) and December 31, 1991, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991 (unaudited) are set forth on the following pages. In the opinion of management of the Registrant, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial information referred to above for such periods, have been made. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of what results will be for the entire year. For further information refer to the Annual Report to Shareholders which includes consolidated financial statements and footnotes thereto and WesBanco, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1991.

Earnings per share was computed by dividing net income by the average number of shares outstanding during the period.

WESBANCO, INC.
CONSOLIDATED BALANCE SHEET
(dollars in thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and due from banks	$ 25,078	$ 30,559
Due from banks - interest bearing	1,100	1,600
Federal funds sold	28,355	23,435
Investment securities:		
U.S. Treasury and other U.S. Government agencies and corporations	237,179	220,920
States and political subdivisions	67,989	67,361
Other	13,162	11,326
Total investment securities	318,330	299,607
Loans-net (Notes 1 and 2)	441,377	439,904
Bank premises and equipment - net	13,774	13,585
Accrued interest receivable	9,456	9,439
Other assets	7,014	6,547
TOTAL ASSETS	$844,484	$824,676
LIABILITIES		
Deposits:		
Non-interest bearing demand	$ 63,289	$ 68,518
Interest bearing demand	176,347	164,390
Savings deposits	140,762	121,743
Certificates of deposit	321,053	324,075
Total deposits	701,451	678,726
Federal funds purchased and securities sold under agreements to repurchase	32,064	35,792
Short-term borrowings	5,536	7,626
Dividends payable	947	914
Accrued interest payable	4,637	4,988
Other liabilities	5,372	4,278
TOTAL LIABILITIES	750,007	732,324
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 100,000 shares authorized; none outstanding	---	---
Common stock, $4.1666 par value; 10,000,000 shares authorized; 2,714,144 shares issued	11,309	11,309
Capital surplus	15,852	15,852
Capital reserves	2,139	2,139
Retained earnings	65,559	63,401
Less: Treasury stock at cost (7,480 and 6,480 shares respectively)	(221)	(188)
	94,638	92,513
Deferred employee benefit related to ESOP	(161)	(161)
TOTAL SHAREHOLDERS' EQUITY	94,477	92,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$844,484	$824,676

WESBANCO, INC.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(in thousands, except share and per share amounts)

	For the three months ended March 31, 1992	1991
INTEREST INCOME:		
Interest and fees on loans	$ 10,938	$ 11,012
Interest on investment securities:		
U.S. Treasury and other U.S. Government agencies and corporations	4,599	4,851
States and political subdivisions	1,116	1,237
Other	242	209
Other interest income	265	312
Total interest income	17,160	17,621
INTEREST EXPENSE:		
Interest on deposits	8,288	9,474
Interest on other borrowings	415	669
Total interest expense	8,703	10,143
NET INTEREST INCOME	8,457	7,478
Provision for possible loan losses	415	306
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	8,042	7,172
OTHER INCOME:		
Trust fees	1,016	875
Service charges and other income	1,002	925
Net securities transaction gains	225	6
Total other income	2,243	1,806
OTHER EXPENSES:		
Salaries, wages and fringe benefits	3,161	3,062
Premises and equipment - net	682	611
Other operating	2,029	1,905
Total other expenses	5,872	5,578
Income before income taxes	4,413	3,400
Provision for income taxes (Note 3)	1,307	837
NET INCOME	$ 3,106	$ 2,563
Earnings per share of common stock	$ 1.15	$ .95
Dividends declared per share	$ .35	$ .3375
Average outstanding shares of common stock	2,706,773	2,705,388

WESBANCO, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands)

	For the three months ended March 31,	
	1992	1991
Total Shareholders' Equity Balance, beginning of period	$92,352	$85,519
Net Income	3,106	2,563
Common stock dividends	(948)	(845)
Net purchases of treasury shares	(33)	(17)
Net changes in market values of equity securities	---	182
Net change in Shareholders' Equity	2,125	1,883
Total Shareholders' Equity Balance, end of period	$94,477	$87,402

WESBANCO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited) (in thousands)

	For the three months ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net Income	$ 3,106	$ 2,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	296	282
Provision for possible loan losses	415	306
Investment amortization - net	554	328
Gain on sales of investment securities	(225)	(6)
Deferred income taxes	(57)	(207)
Other - net	26	4
Increase or decrease in assets and liabilities:		
Interest receivable	(17)	435
Other assets	(447)	(284)
Interest payable	(351)	(659)
Other liabilities	1,110	613
Net cash provided by operating activities	4,410	3,375
Investing Activities:		
Proceeds from sales of investment securities	7,255	499
Proceeds from maturities and calls of investment securities	20,305	28,018
Purchases of investment securities	(46,113)	(25,248)
Net increase in loans (except charge card loans)	(3,185)	(2,577)
Net decrease in charge card loans	1,297	860
Purchases of premises and equipment - net	(490)	(90)
Net cash used by investing activities	(20,931)	1,462
Financing activities:		
Net decrease in certificates of deposit	(3,022)	(8,863)
Net increase (decrease) in demand and savings accounts	25,747	(6,388)
Increase (decrease) in federal funds purchased and repurchase agreements	(3,728)	4,860
Increase (decrease) in short-term borrowings	(2,090)	124
Dividends paid	(914)	(831)
Other - net	(33)	(17)
Net cash provided by (used by) financing activities	15,960	(11,115)
Net decrease in cash and cash equivalents	(561)	(6,278)
Cash and cash equivalents at beginning of year	53,994	52,216
Cash and cash equivalents at end of period	$ 53,433	$ 45,938

For the three months ended March 31, 1992 and 1991, WesBanco paid $9,055 and $10,801 in interest on deposits and other borrowings and $95 and $270 for income taxes, respectively.

As of March 31, 1992 and 1991, in-substance foreclosure loans and other real estate owned amounting to $65 and $30, respectively, were transferred from the loan classification to Other Assets resulting in a non-cash transaction.

WESBANCO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - LOANS:

	March 31, 1992	December 31, 1991
	(in thousands)	
Loans:		
Commercial	$130,590	$136,947
Real Estate-Construction	6,212	4,093
Real Estate-Mortgage	182,383	174,382
Installment	129,559	131,710
	448,744	447,132
Deduct:		
Unearned income	(690)	(727)
Reserve for possible loan losses (Note 3)	(6,677)	(6,501)
	(7,367)	(7,228)
	$441,377	$439,904

NOTE 2 - RESERVE FOR POSSIBLE LOAN LOSSES:

	For three months ended March 31,	
	1992	1991
	(in thousands)	
Balance at beginning of period	$6,501	$6,161
Reserves of purchased bank	62	---
Recoveries credited to reserve	114	91
Provision for loan losses from income statement	415	306
Losses charged to reserve	(415)	(329)
Balance at end of period	$6,677	$6,229

NOTE 3 - INCOME TAXES:

A reconciliation of the average federal statutory tax rate to the reported effective tax rate is as follows:

	For the three months ended March 31, 1992	For the three months ended March 31, 1991
Federal Statutory tax rate	34%	34%
Tax-exempt interest income from securities of states and political subdivisions	(9)	(13)
State income tax - net of federal tax effect	3	3
All other - net	2	1
Reported effective tax rate	30%	25%

NOTE 4 - ACQUISITIONS AND MERGERS:

On November 25, 1991, WesBanco and First National Bank of Barnesville, located in Barnesville, Ohio, executed an Agreement and Plan of Merger providing for the merger of First National Bank of Barnesville with WesBanco. The merger is subject to a number of conditions including approval by shareholders of First National Bank and WesBanco, Inc. and by regulatory authorities. Subject to such conditions, it is anticipated that the merger should be consummated in the third quarter of 1992. Upon consummation, each holder of First National Bank of Barnesville common stock will receive 12 shares of WesBanco, Inc. common stock for each share of First National Bank of Barnesville resulting in the issuance of approximately 600,000 shares of WesBanco common stock. First National Bank of Barnesville had total assets as of March 31, 1992, approximating $144,000,000 and net income for the three month period ending March 31, 1992 of $413,000.

NOTE 4 - ACQUISITIONS AND MERGERS: (cont)

On February 10, 1992, WesBanco Bank Wheeling, a subsidiary of WesBanco, Inc., acquired the Bank of Follansbee of Follansbee, West Virginia. The acquisition was accounted for as a cash purchase of the net assets by WesBanco Bank Wheeling. The Bank of Follansbee had total assets of approximately $18,127,000 as of February 10, 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Effective February 10, 1992, WesBanco, Inc.'s subsidiary, WesBanco Bank Wheeling, acquired all of the assets and assumed the liabilities of the Bank of Follansbee with the transaction accounted for as a cash purchase. After adjustment of assets to fair value, there was no significant goodwill recorded. The financial information for March 31, 1992 includes the acquired assets and liabilities of the Bank of Follansbee. Net income of the operations of the Bank of Follansbee is included in the Consolidated Statement of Income subsequent to the acquisition date. The Bank of Follansbee was merged into an existing WesBanco affiliate bank.

Comparison of the three months ended March 31, 1992 and 1991

Net income for the three months ended March 31, 1992 was $3,106,000, a 21% increase over the same period during 1991. Earnings per share for the same respective time periods were $1.15 and $.95. The improvement in net income can be attributed to increased net interest income and improved non-interest income.

Return on average assets (ROA) increased to 1.5% from 1.3% for the three months ended March 31, 1992 and 1991, respectively. Return on average equity (ROE) was 13.3% compared to 11.9% for the three months ended March 31, 1992 and 1991, respectively.

Current period loan interest rates are generally below levels noted in the previous comparative period. During the first three months of 1992, most banks' primary lending rates were at 6.5% while the rates for the first three months of 1991 ranged between 9.0% and 10.0%. Similar decreases in rates paid on deposit accounts also occurred between the comparable periods.

Total interest income decreased $461,000 or 3% between the three month periods ended March 31, 1992 and 1991. Interest and fees on loans decreased $74,000 or 1% primarily due to the decrease in the average rates earned on loans outstanding offset by an increase in the average balances of loans outstanding. Average rates earned on loans decreased by approximately .8%. Average balances of loans increased approximately $30,162,000 due to the acquisition of the Bank of Follansbee which had loans outstanding of approximately $10,029,000 on the acquisition date and due to increases in consumer and residential mortgage loans during the three months ended March 31, 1992. The increase in the consumer and mortgage loan demand was due to the banks offering competitive interest rates and to significant advertising for these types of loans. Interest on investments in U. S. Treasury and Agencies decreased $252,000 or 5%. Average outstanding balances of this type of investment decreased as did average yields by approximately .4% between the periods ending March 31, 1992 and 1991. The decrease in average investments between March 31, 1992 and March 31, 1991 was caused by maturities of securities which were used to fund the loan growth. Interest earned on investments in states and political subdivisions decreased $121,000 or 10%. The average volume of this type of investment decreased approximately $4,703,000 due to maturities. The average yield on investments in states and political subdivisions decreased by approximately .2% due to the maturity of higher yielding investments in states and political subdivisions. Other interest income, primarily interest on federal funds sold, decreased $47,000. The average volume of federal funds sold increased by approximately $6,678,000 offset by a significant decrease in the average rate earned of approximately 2.3%. Increased savings and interest-bearing demand accounts were used as additional sources of funding for the increase in loans.

Total interest expense decreased $1,440,000 or 14% between the three months ended March 31, 1992 and 1991. Interest paid on deposits decreased $1,186,000 or 13%. Average total deposit volumes increased approximately $35,168,000 between the periods ended March 31, 1992 and 1991 offset by a decrease in average rates paid on all deposits of approximately 1.3%. The increase in the average total deposit volumes were partially due to the acquisition of the Bank of Follansbee which had total deposits of approximately $17,909,000 as of February 10, 1992. The remaining increase in deposits was caused by the normal growth in deposits. Interest expense on interest-bearing demand deposits increased $73,000. The average volume of this type of deposit increased by $33,400,000 while the average rate decreased by approximately .9%. The interest rate paid on NOW and Money Market accounts decreased to 4.25% as of January 2, 1992, from 5.25% during the first quarter 1991. Traditional savings account interest expense increased $33,000. The average volume savings deposits increased approximately $16,749,000 offset by a decrease in the average rates paid by approximately .6%. The interest rate paid on traditional savings accounts decreased from 5.5% during the first quarter 1991 to 4.5% as of January 2, 1992. Certificates of deposit interest expense decreased $1,292,000. The average of outstanding balances decreased by $14,981,000 due to State of West Virginia deposits approximating $8,300,000 which were obtained in a competitive bid process maturing during the first quarter of 1991. Additionally, due to the lower rates offered on certificates of deposit during late 1991 and early 1992 many customers allowed their certificates to mature and withdrew those funds from the banks. Also, maturities of certificates of deposit were transferred to savings deposits which yielded a higher interest rate than the short-term certificates of deposit. Average rates paid on certificates of deposit decreased approximately 1.3% due to the decline of rates paid on new and rollover deposits. Interest on other borrowings, which primarily includes securities sold under agreements to repurchase, decreased $254,000. The average volumes decreased by approximately $3,815,000 along with a significant decrease in the average rates paid for these liabilities. Rates paid on repurchase agreements closely follow rates earned in the federal funds market.

Other income increased $437,000. This increase was due to the increase in trust fees of $141,000, the increase in service charges and other income of $77,000, and the increase in net securities transaction gains of $219,000. Trust fee income increased primarily due to increases in fees, higher market values and new trust accounts during the first three months of 1992. Subsequent to the first quarter 1991, certain service charges on deposit accounts were increased causing the increase in service charges and other income between the three months ended March 31, 1992 and 1991. Net securities transaction gains increased $219,000 between the three months ended March 31, 1992 and 1991 primarily due to the sale of $5,000,000 of U. S. Government Agency investments, with maturities of less than one year, resulting in approximately $160,000 of security gains.

Total other expenses increased $294,000. Salary expense increased $99,000 due to normal salary adjustments, increasing payroll taxes and health insurance. Other operating expenses increased $124,000 primarily due to an increase of the FDIC deposit insurance of $79,000.

The provision for loan losses increased $109,000 due to the increase in net charge-offs. Net charge-offs increased $63,000 between the periods ended March 31, 1992 and 1991. The reserve for loan loss was 1.49% of total loans as of March 31, 1992 and 1.46% as of December 31, 1991. Loans classified as nonaccrual loans and renegotiated loans, in-substance foreclosures and other real estate owned increased by $942,000 between March 31, 1992 and December 31, 1991. Total nonaccrual and renegotiated loans, in-substance foreclosures and other real estate owned were $12,136,000 or 2.7% of loans as of March 31, 1992.

Included in the in-substance foreclosures is a commercial real estate loan, approximating $835,000, purchased from a correspondent bank. Future charge-offs on this loan, if any, will depend upon the results of further reviews by the Shared National Credit examiners and management's further assessment of the loan.

Loans past due 90 days or more have increased to $928,000 or .2% of total loans as of March 31, 1992 from $742,000 or .2% of total loans as of December 31, 1991. The level of non-performing loans continue to be a result of the depressed commercial real estate market and the lack of industrial growth in the primary market areas.

The increase in the provision for income taxes was caused by the improved taxable income during the first three months of 1992 and the continued decline in non-taxable income.

Lending by WesBanco banks is guided by affiliate bank lending policies which allow for various types of lending. Normal lending practices do not include the acquisition of high yield non-investment grade loans or "highly leveraged transactions" ("HLT") from out of the primary market areas as described by uniform interagency definition of an "HLT" for supervisory purposes, jointly issued by the Federal Reserve Bank, the Comptroller of Currency and the Federal Deposit Insurance Corporation.

PART II - OTHER INFORMATION

Item 1 - 3 - Not Applicable

Item 4 - Results of Votes of Security Holders

On March 25, 1992, the annual meeting of the stockholders of WesBanco, Inc. was held. All nominees for directors listed in the proxy statement dated February 28, 1992 were elected. There was no solicitation in opposition to management's nominees as listed in the proxy statement. No business other than described in the February 28, 1992 proxy statement came before the meeting.

Item 5 - Not Applicable

Item 6 (a) - Exhibits

(15) Letter re unaudited interim financial information. Attachment I, page 16.

Item 6 (b) - Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESBANCO, INC.

Date: May 14, 1992

Thomas G. Dove

Date: May 14, 1992

Paul M. Limbert
Executive Vice President and Controller

ATTACHMENT 1

Price Waterhouse

Report of Independent Accountants

April 21, 1992

To the Shareholders and
Board of Directors of
Wesbanco, Inc.

We have made a review of the consolidated balance sheet at March 31, 1992, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the 3-month periods ended March 31, 1992 and 1991, of Wesbanco, Inc. and its subsidiaries in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

We previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1991, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended (not presented herein), and in our report dated January 28, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 1991, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with generally accepted accounting principles.

Price Waterhouse